WILL GAMBLING KILL THE KENTUCKY DERBY? Jason Zengerle

THE NEW REPUBLIC

WHY FAT IS NOT TOBACCO
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AFTER THE HANGOVER

HOW CAPITALISM SURVIVED THE NEW ECONOMY

Robert J. Samuelson

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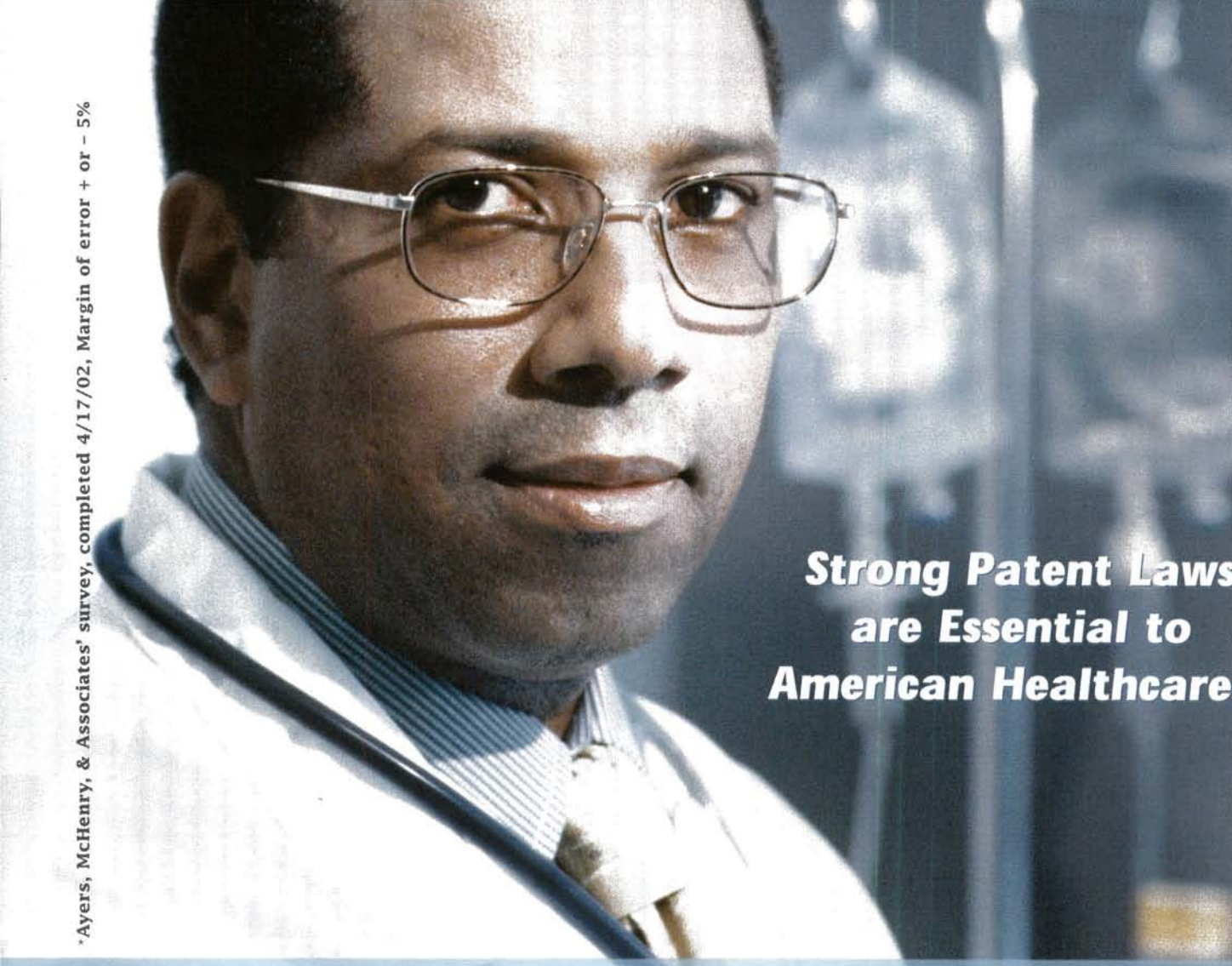

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Table whine

TO THE EDITORS:
The annual White House Correspondents' Association (WHCA) dinner is more or less of the same self-congratulatory nature as the Academy Awards; and for most of us Americans, it carries the same weight ("Set Menu," by Ryan Lizza, April 1 & 8). With Bill Clinton and Al Gore now a part of history, the best stories are lost. So Lizza accuses the "Bushies" of secret conspiratorial plans to seat you and other media nasties with the likes of photocopying interns. Gee, I really feel for you. Eat, drink, and be part of the story instead of *reporting on one.*

DAVID JACOBSON
Fresno, California

TO THE EDITORS:
Of those who attend the WHCA dinner on May 4, I'd guess that 85 percent to 90 percent are still upset that Gore is not in office. I find it pathetic that the media think they are some how above the rest of the populace when it comes to special treatment. Perhaps if TNR took a look at the polls showing distrust of the media, you might focus more on repairing a damaged institution, as opposed to crying about seating at this ridiculous function.

ROBERT CADY
Northfield, Minnesota

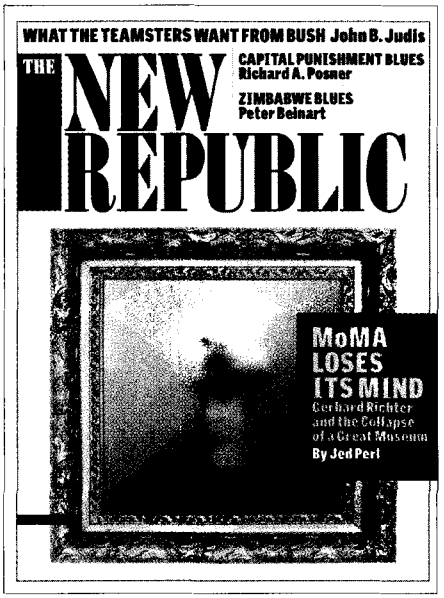
Modern lovers

TO THE EDITORS:
Jed Perl uses the words "chilly" and "lifeless" in his damning and refreshing article on Gerhard Richter's art. They are well chosen. Thank God someone is saying it.

DARBY BANNARD
Professor of Painting
University of Miami
Miami, Florida

TO THE EDITORS:
I happen to agree with Jed Perl's critical assessment of the value of Gerhard Richter's work: "a bullshit artist masquerading as a painter" ("Saint Gerhard of the Sorrows of Painting," April 1 & 8). I would like to comment, though, that while indeed the world has long grown weary of those clever individuals who persist in clothing the emperor in the altogether, it has grown equally weary of those earnest folk who feel so compelled to bring the folly of these antics to our attention.

More importantly, I feel that Perl's apt (if somewhat shopworn) complaints lose their effect when he goes one step too far in asserting that the Museum of Modern Art (MoMA) has lost its touch. In Perl's


WHAT THE TEAMSTERS WANT FROM BUSH John B. Judis
THE NEW REPUBLIC
CAPITAL PUNISHMENT BLUES Richard A. Posner
ZIMBABWE BLUES Peter Beinart
MoMA LOSES ITS MIND
Gerhard Richter and the Collapse of a Great Museum
By Jed Perl

view, MoMA long ago lost its ability to bring us shows illustrating "how [artistic] tradition relates to innovation and how both relate to the experience of the eye"; and recent retrospectives lack the "inviolable lucidity" of shows organized by the museum's past director, William Rubin. MoMA's recent Giacometti retrospective, its "Mies in Berlin" exhibition, as well as its current showing of the innovative book arts of the Russian avant-garde, all fulfill these criteria to a T. And those of us who came down from the hills to view these memorable exhibitions were profoundly impacted and uplifted by what we saw. We are indebted not only to those towering artists, architects, and designers, but also to MoMA's curatorial staff who presented their work so brilliantly.

ANDREA WOODNER
New York, New York

JED PERL REPLIES:
I do not share Andrea Woodner's optimism. Fiascoes such as the Richter show and "MoMA2000" have preoccupied MoMA's top curators and suggest where the museum is headed. The Giacometti and Russian avant-garde book shows, fueled by strong curatorial support from outside MoMA, do not reflect the museum's current top priorities. What we have to look forward to at MoMA this summer is "AUTObodies," a car show that could be a replay of the Guggenheim's disastrous "The Art of the Motorcycle."

Keeping the faith

TO THE EDITORS:
Peter Beinart wrote in his March 25 TRB that President George W. Bush has never affirmed atheists as moral agents, in the manner of Tony Blair ("Bad Faith"). Not true. Quoting from the president's statement in launching his Faith-Based and Community Initiative last year at the very outset of his administration: "We must heed the growing consensus across America that successful government social programs work in fruitful partnership with community-serving and faith-based organizations, whether run by Methodists, Muslims, Mormons, or good people of no faith at all."

BRENT R. ORRELL
Director
Center for Faith-Based and Community Initiatives
U.S. Department of Labor
Washington, D.C.

Conventional wisdom

TO THE EDITORS:
Your February 25 editorial on the Taliban and Al Qaeda prisoners at Guantanamo Bay suggests that the U.S. government can apply the Geneva Conventions cafeteria-style, picking and choosing those provisions it likes and ignoring others ("Prison Terms"). By accepting the Bush administration's adherence to the Conventions "in general terms" and as a "compromise," you get the law wrong. Captured Taliban and possibly some Al Qaeda fighters are entitled to prisoner-of-war (POW) status as members of the armed forces of Afghanistan; the criteria you cite to deny them that status apply only to irregular forces. Prisoners found to be "unlawful combatants" may not be protected by the Third Geneva Convention, but they are still covered by the Fourth Geneva Convention. And in the case of captured belligerents whose status is unclear, a competent tribunal should be convened (as was done by the U.S. Army during the Gulf war), or else they must be treated as POWs; stipulating that all enemy combatants are not POWs undermines the foundation of Geneva protections.

Your position is particularly befuddling since the Geneva Conventions provide no obstacle to the legitimate U.S. interest in prosecuting persons responsible for terrorist acts. While POWs are normally "entitled to automatic repatriation to their home countries" at war's end, the Conventions permit POWs to be prosecuted for war crimes and other criminal offenses, including terrorist acts, and to serve sentences past the conclusion of the armed conflict.

Lastly, you find it "hard to imagine a theoretical U.S. adversary that would adhere to international law" just because the United States did. Consider an actual adversary: During the Vietnam War,

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American POWs suffered enormously in captivity, but the United States publicly shamed Hanoi into applying the Geneva Conventions. As Senator John McCain has said of his POW ordeal: "When word of torture and mistreatment began to slip out to the American press in the summer of 1969, our public-relations-minded captors began to treat us better. I'm certain we would have been a lot worse off if there had not been the Geneva Conventions around." The United States should apply the Geneva Conventions to the fullest and should not allow governments that violate them to set the terms. War demands it.

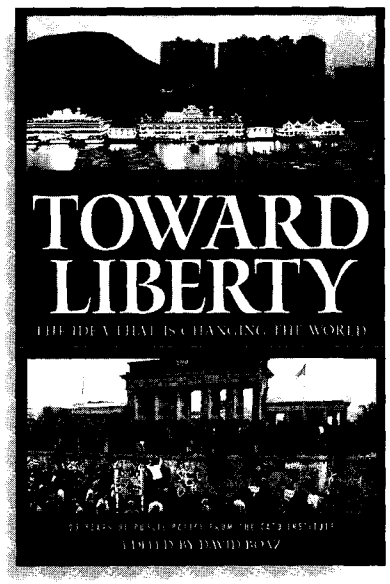
JAMES ROSS
Senior Legal Advisor
Human Rights Watch
New York, New York

THE EDITORS REPLY:

James Ross says we "get the law wrong." But we don't; we simply disagree with him about what the law says. While Ross concedes that unlawful combatants may not be protected by the Third Geneva Convention, he argues that they are covered by the Fourth Geneva Convention. That's not what we think. Neither do some legal scholars. As Ruth Wedgwood, an international law professor at Yale and Johns Hopkins, explains, "The Fourth Geneva Convention is designed to protect civilians who are in occupied territory. It is not designed to protect combatants." Indeed, if unlawful combatants were protected by the Fourth Geneva Convention, it's conceivable that they could be afforded *more* protections than those given to lawful combatants under the Third Geneva Convention. As for Ross's contention that a competent tribunal should be convened for captured belligerents whose status is unclear, we—and a number of legal scholars—believe the Geneva Convention only requires a tribunal in cases where, as we wrote in our editorial, "fact-specific questions of an individual's status are at issue, such as in instances of deserters or those who have lost their identity cards." Ross has said nothing to change our minds about that. ■

The editors welcome correspondence from readers. Please address letters to Correspondence, TNR, 1331 H Street NW, Washington, D.C. 20005 (letters may also be sent electronically to tnr@aol.com). All letters should include the writer's full name, address, and telephone number; be typed double-spaced; and be fewer than 200 words. Letters may be edited for space and clarity. Please do not send letters via fax.

25 Years of Change



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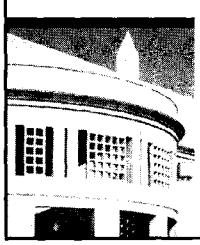

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TRB

FROM WASHINGTON

Quiet Time

IN THE SHORT story "Silver Blaze," Sherlock Holmes draws Inspector Gregory's attention to "the curious incident of the dog in the night-time." "The dog did nothing in the night-time," insists the confused Inspector. "That," Holmes responds, "was the curious incident."

Last month in France, a dog barked at the top of its lungs: Jean-Marie Le Pen placed second in the first round of voting for the French presidency. But while Le Pen's second-place showing was a surprise, his growing popularity wasn't. After all, far-right parties have been gaining steam in Europe for several years now. In 1999 the Vlaams Bloc—whose leader describes himself and Le Pen as "brothers in arms"—won 10 percent of the vote in Belgium. In 2000 Joerg Haider's Freedom Party won 27 percent in Austria. Last September the Progress Party—which wants to cut immigration to 1,000 people per year—won 15 percent in Norway. That same month Germany's Law and Order Offensive—which would deport all asylum seekers—won 19 percent in Hamburg. Two months later the Danish People's Party—whose leader has called for a "holy war" against Islam—won 12 percent in Denmark. And in March the Livable Netherlands Party—which wants to ban all Muslim immigration—became the largest party in Rotterdam. In giving Le Pen 17 percent of the vote, France was simply catching up.

The "curious incident"—the dog that hasn't barked—is the United States. Americans sometimes say that as a country of immigrants we are congenitally immune to the xenophobia that periodically erupts in nations that define themselves in ethnic terms. But that's a historical fallacy—and I'm not talking about the 1920s. Less than a decade ago the United States would have fit perfectly into the grim litany described above. In 1994, 59 percent of Californians voted to deny health and education services to illegal immigrants. Two years later Pat Buchanan—America's Le Pen—won the Republican presidential primary in New Hampshire. That summer the GOP adopted a positively Buchananesque platform declaring that children born in the United States to foreign parents should no longer automatically become citizens. And in August Bill Clinton signed a welfare bill that denied food stamps to legal immigrants. In the mid-1990s the United States was as nativist as France is now—perhaps more so.

So what happened? The answer is a happy and bipartisan story of political leadership by two men: Bill Clinton and George W. Bush.

Clinton did not fight xenophobia on principle; after all, he signed the virulently anti-immigrant welfare bill. But he cut off the political oxygen on which nativism relies. Nativism is fueled—in part—by irresponsible left-liberalism. In the European Union, excessive regulation and high taxation have contributed to an unemployment rate that today exceeds 8 percent. Such widespread joblessness has not only made native-born Europeans fearful that immigrants will take their jobs; it has also contributed to epidemic levels of unemployment among immigrants themselves (unemployment estimates reach as high as 20 percent among Turkish immigrants in Germany and 35 percent to 40 percent among Turkish immigrants in the Netherlands). And that has fueled racist stereotypes of newcomers as lazy and parasitic.

The same dynamic was starting to play out in the United States. In the four years preceding Proposition 187, California lost 600,000 jobs—many in industries devastated by the cold war's end. California's unemployment rate topped 8 percent, and among Hispanics it topped 11 percent. Had Clinton not broken with left-liberal orthodoxy and cut government spending to reduce the deficit, the United States might never have experienced the '90s boom that banished those economic anxieties—and the resulting racial resentments—in California and across the country.

But Clinton didn't only undermine xenophobia by ensuring that would-be nativists had secure jobs; he undermined it by signing welfare reform, which destroyed the racist belief that immigrants were receiving handouts for doing nothing. Europe's growing anti-immigrant backlash is stoked by the perception that left-liberal political elites are allowing immigrants to play hard-working native Europeans for suckers. But the welfare bill—whatever its moral flaws—demolished that perception in the United States.

And Clinton undermined anti-immigrant racism in another way as well: He cracked down on crime. The European Union's crime rate grew 6 percent between 1989 and 1999. And just as growing lawlessness—and the perception that the police were too politically correct or too incompetent to stop it—sparked racially tinged anger in American cities in the 1970s, it is doing the same in cities like Paris and Hamburg today. America's 18 percent decline in crime during the '90s, by contrast, has reduced racial tension—not only between whites and blacks but, especially in the West, between whites and immigrant Hispanics. And while Clinton is not directly responsible for that drop in crime, it could not have happened had he not sharply increased the number of police, and the number of prison cells, despite howls from the civil libertarian left.

But if Clinton fought nativism by changing liberalism, George W. Bush has changed conservatism—thus ensuring that nativism's lingering appeal goes unexploited. In the mid-'90s, with Pete Wilson and Pat Buchanan riding high, many commentators assumed that the GOP would use immigration the way it had used affirmative action—to cement the allegiance of the middle- and working-class whites who formed the party's base. To some degree, it is big business—with its thirst for immigrant labor—that has kept that from happening. But it is also the historical accident that in 2000 the party chose as its standard-bearer one of its most committed supporters of immigration. Running for governor in 1994—a year when Proposition 187 was so popular that even California *Democratic* Senator Dianne Feinstein didn't speak out against it until three weeks before Election Day—Bush said he would fight any such effort in Texas. When Buchanan spoke in Dallas in August 1995, Bush went after him personally, declaring, "It is easy for some to pick on our friends from the South ... and I don't like it." He even opposed the repeal of bilingual education.

Today many pundits consider Bush's support for immigration a matter of political survival—he's courting a Hispanic vote Republicans desperately need. But that calculus is still by no means received wisdom in the Republican Party. Before September 11, when Bush flirted with an amnesty for Mexican immigrants, many in the congressional GOP expressed concern. And last month, when Bush tried to restore food stamps to some legal immigrants who lost them in the 1996 welfare bill, most House Republicans opposed him.

In truth, there remains a reservoir of anti-immigrant sentiment among the GOP base—and in the country at large. But with a popular, pro-immigration Republican in the White House, and without high unemployment or high crime as a spark, nativism has been silenced as a political force. The dog has not barked. And the sound is glorious.

PETER BEINART

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Minimum Security

LAST WEEKEND Padshah Khan Zadran, a frustrated Afghan warlord and would-be governor of the provincial capital of Gardez, returned to the city to make good on his three-month-old pledge to "kill them all—women, children, even the chickens." If he failed, it was not for want of trying: Zadran and his men fired more than 200 rockets into Gardez, killing 25 residents, most of them women and children. Had the ensuing slaughter preceded the deployment of American ground forces to Afghanistan, *The New York Times* might have relegated it to page 26. But because the massacre occurred in full view of U.S. troops hunkered down at a nearby base camp, the story was bumped up—all the way to page 14. Afghanistan is coming apart at the seams. But these days virtually no one—not the Bush administration, not even the *Times*—seems to care.

Pogroms in Mazar-e-Sharif, coup plots in Kabul, feuding warlords in Paktia—Afghanistan the U.S. protectorate increasingly seems less stable than Afghanistan the Al Qaeda protectorate. And anti-American forces are using the opportunity to reassert their influence. In the country's West, Iran has funneled arms and money to warlords, such as Ismail Khan, intent on undermining the U.S.-backed interim government of Hamid Karzai, and it has provided safe passage to fleeing Al Qaeda fighters. In the country's North, Russia is providing cash for its Tajik and Uzbek proxies to bribe their way into power. And in the country's middle, last month local warlords were implicated in a plot to overthrow Karzai's government. There are even reports that Taliban and Al Qaeda cells may be regrouping for an offensive.

In short, now might be a good time for the Bush administration to rethink its reflexive opposition to "nation-building." Not merely for reasons of altruism or regret, and not to make our European allies happy. No, the Bush team needs to show that it can bring peace, security, and territorial integrity to Afghanistan because, if it doesn't, it will have a much harder time convincing anyone to support its effort to overthrow and reconstruct the government of another very dangerous country: Iraq.

President George W. Bush seemed to understand that concept two weeks ago when he evoked the spirit of George Marshall and pledged to help secure Afghanistan's future. But actions speak louder than words, and thus far the administration's actions have been less than encouraging. Only a few hours after Bush's Marshall Plan speech, Secretary of Defense Donald Rumsfeld once again dismissed the idea that U.S. forces might play a role in keeping Afghanistan's peace. Instead, the administration relegated the task to Great Britain and Turkey—while simultaneously undermining their ability to accomplish it. Despite pleas from the United Nations and from Karzai himself, the United States—which has the final say in a country it still deems a war zone—has steadfastly opposed the deployment of foreign peace-keepers, regardless of nationality, beyond the confines of Kabul. Not only won't we provide the Afghans security; we won't let anyone else do it either.

The opposition comes primarily from the Pentagon, which worries that the presence of foreign peacekeepers would impede our ability to destroy Afghanistan's remaining Taliban and Al Qaeda forces. And for months that fear was justified. But with the war against Al Qaeda reduced to isolated pockets along the Pakistani border, and with the rest of Afghanistan descending into anarchy, it no longer is. Indeed, with Iran filling the vacuum in Western Afghanistan, Russia fomenting mischief in the North, and warlords wreaking havoc everywhere in between, a Central Intelligence Agency report released in February warned that the country may become engulfed in civil war. True, the Bush administration has offered to train a new national army. But the proposed force is too modest to gain control of a countryside beset by ethnic rivalries; and even under the best circumstances, it would take months to field. The administration has also boosted its humanitarian aid to Afghanistan. But of the $150 million requested by the U.S. Agency for International Development, the Bush team has approved less than one-third—claiming, ironically, that Afghanistan isn't secure enough for the aid to be properly distributed.

This sort of circular reasoning, needless to say, hardly upholds the spirit of the Marshall Plan. More important, it hardly serves America's strategic interests. After all, when the United States begins its push for "regime change" in Iraq, crucial allies like neighboring Turkey will recall how the United States overthrew a regime in Afghanistan without bothering to guarantee a stable replacement. But it may not even come to that. If it continues to lose the peace, the Bush team may be too busy pursuing another regime change in Afghanistan. ■

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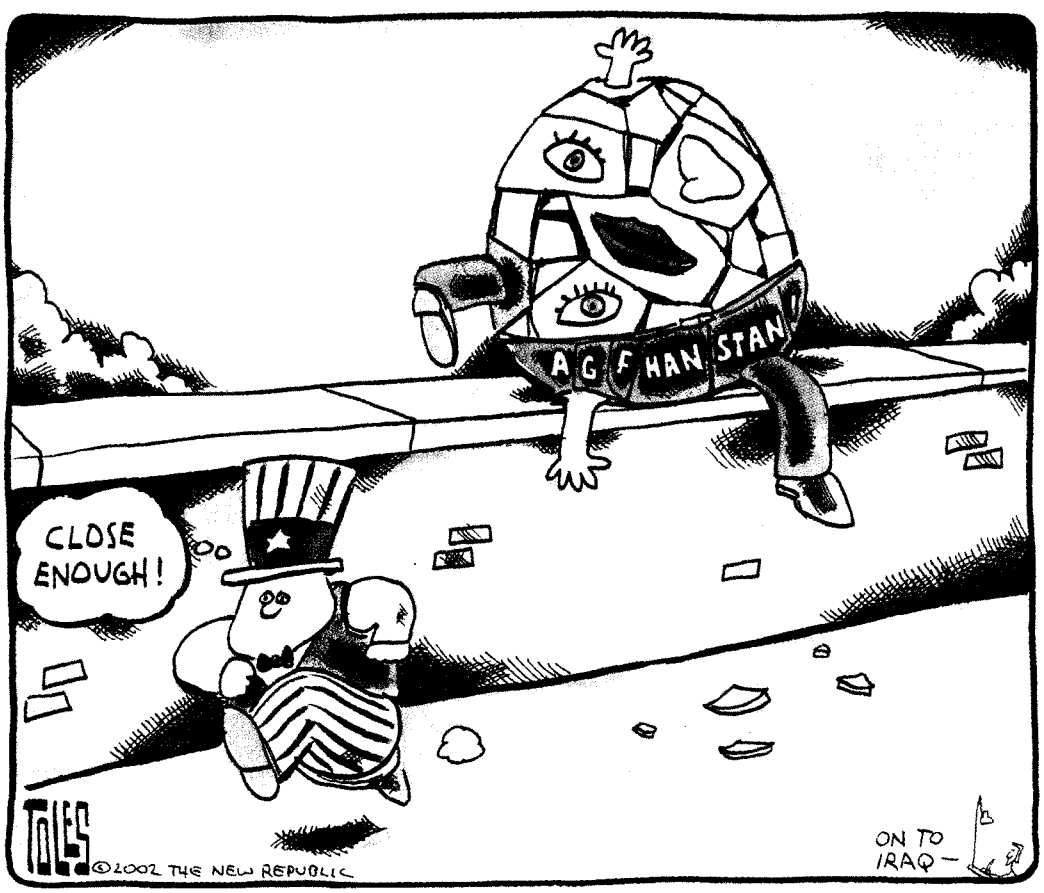
NOTEBOOK

PRESIDENTIAL QUIRK: In recent weeks President Bush has taken to warning of an imminent fiscal policy disaster. No, not the long-term collapse of the budget surplus. The president is upset because last year's massive tax cut is scheduled to expire in 2010—meaning that, if nothing is done, taxes would then revert to their pre-2001 level. "It's a quirk in the law," Bush told one audience. "I think that doesn't make much sense." *Of course* it doesn't make sense. The question is why is it there to begin with. The answer is that last year Congress believed it could afford to cut taxes by $1.3 trillion over ten years, but Bush and his allies wanted tax cuts that totaled far more than that sum. So they larded up the tax bill with gimmicks, starting some tax cuts late in the decade, ending others very early, and canceling the whole thing after nine years. This succeeded in minimizing the official revenue losses; if they had enacted all of last year's cuts at once, it would have cost around $2.5 trillion. As obvious as it should have been last year that the full tax cut was unaffordable, this year—with the economic euphoria of the 1990s collapsed and a war to fight—it should be even more obvious. And yet here is Bush, complaining about *his own dishonest gimmick* and demanding that it be redressed. If he really thinks it's stupid to have tax rates jerk up and down year by year, here's what he ought to propose: Rescind last year's tax cut and pass a new one—permanently implemented—that really does cost only $1.3 trillion.

A SETBACK FOR THE DAN QUAYLE REHABILITATION PROJECT?: "How many Palestinians were on those airplanes on September ninth? None."—former Vice President Dan Quayle, MSNBC, April 30

GUNS AND POSES: In the wake of September 11 the appropriation of anti-terrorism rhetoric for unrelated political causes has reached comic levels. First the White House repackaged its preexisting agenda as part of the war on terrorism; now the Democrats have followed suit: Pension reform has become "pension security"; debt reduction: "retirement security"; prescription drug legislation: "health security," and so on. But leave it to the National Rifle Association (NRA) to take this asinine trend to its grotesque extreme. At the organization's annual convention in Nevada, Wayne LaPierre used the vocabulary of the war to lash out at proponents of gun control as perpetrators of "political terrorism" and to compare Americans for Gun Safety founder Andrew McKelvey to Osama bin Laden—"an extremist billionaire with a political agenda, using personal wealth to train and deploy activists, looking for vulnerability to attack, fomenting fear for political gain, and funding an ongoing campaign to hijack your freedom and take a box cutter to the Constitution." For any who might have missed his point, LaPierre went on to characterize gun control as "a far greater threat to freedom than any foreign force." (Gun enthusiast and former rocker Ted Nugent, a convention attendee, was kind enough to add, "If you are not a member of the NRA, you really aren't performing your 'We-the-people duty' in this nation.") And such rhetoric isn't exactly a recent development. It was LaPierre, after all, who famously referred to federal ATF agents as "jackbooted government thugs" and has warned that gun control would pave the way to "torture" and "dictatorship" in the United States. Given LaPierre's history of violent demagoguery and the political power his organization wields, it would be easy enough to call *him* a threat to our collective freedom. But rather than play LaPierre's game, we'll settle for a description we know to be utterly free of hyperbole: He's a third-rate bully, and a first-class moron.

AND NO, IT'S NOT JUST THE NRA: "Fellow Americans, we are fighting two wars right now. Abroad we fight



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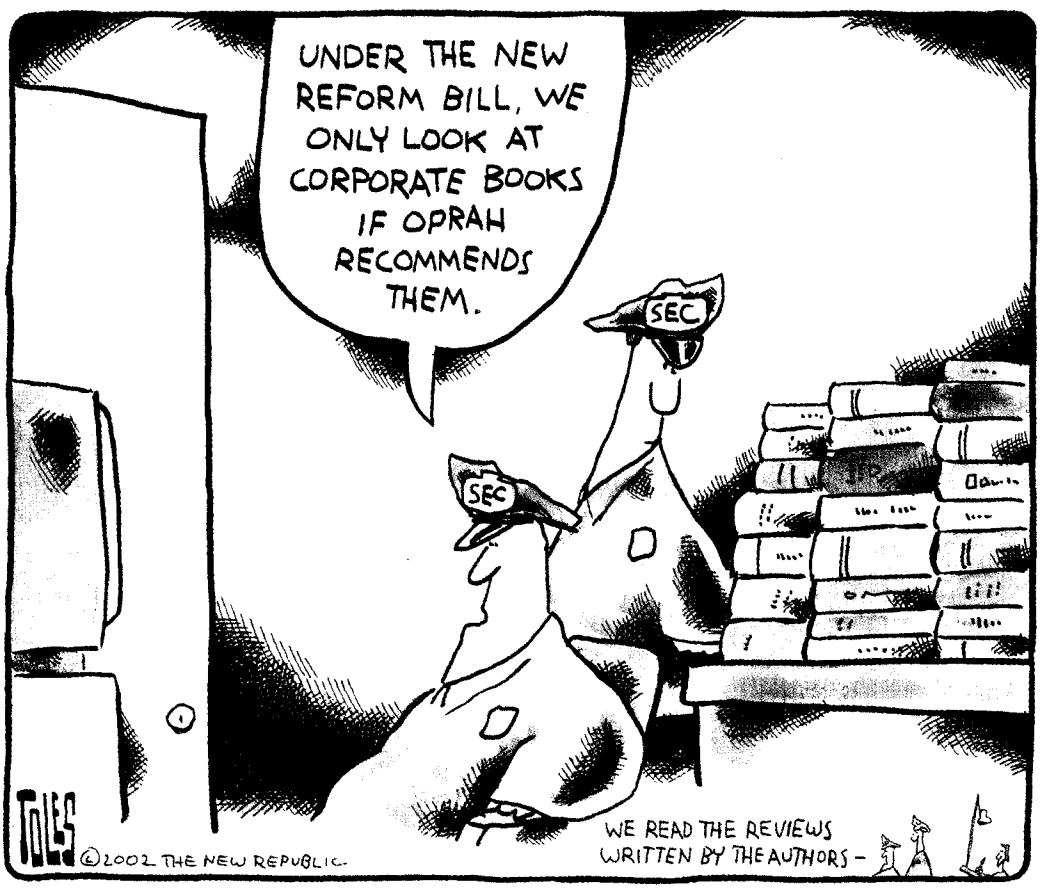
terrorism and at home we fight the disgraceful and obstructionist Democrat senators."—e-mail sent by Blaise Hazelwood, Political Director of the Republican National Committee, to more than 90,000 GOP grassroots "Team Leaders," April 18 (Thanks to *Spinsanity.com*.)

SINS OF COMMISSION: United Nations Secretary-General Kofi Annan is in a deep pickle of his own making. Last Monday he announced that "it was very urgent that we go in...." The "we" to which he alluded was the panel established by the Security Council to investigate whether the Israeli army had perpetrated an atrocity in Jenin. The very next day, however, his deputy Kieran Prendergast seemed to concede that the enterprise wasn't, in fact, urgent and mused that "the secretary-general is minded to disband the team"—because of Israeli obstinacy, of course. And the panel has indeed become an embarrassment. But not, as the NGO usual suspects—led by Mary Robinson, who presided over the anti-Israel, anti-Jewish "human rights" festival in Durban—assume, to Israel. The Commission has become an embarrassment to the U.N. The first reason is that at least one of its three members has a history of trying to prevent Israel from joining the International Committee of the Red Cross (see Notebook, May 6), and none has the military experience to distinguish a mess from a massacre. The second—and more fundamental—reason is that it is morally perverse to investigate the military response to terrorism without investigating the terrorism itself, which is exactly what the U.N. Commission wants to do. Critics say that without a U.N. investigation, the truth will never come out. Nonsense. It's being reported by journalists on the ground every day, and it validates exactly what Israel has said all along. On April 29 *The Boston Globe*, a newspaper hardly known for excessive solidarity with the Jewish state, published a story that began, "Palestinian Authority allegations that a large-scale massacre of civilians was committed by Israeli troops ... appear to be crumbling under the weight of eyewitness accounts from Palestinian fighters who participated in the battle and camp residents who remained in their homes until the final hours of the fighting." Reporters Charles Radin and Dan Ephron interviewed "teenage fighters, a leader of Islamic Jihad, an elderly man whose home was at the center of the fighting, and other Palestinian residents.... [N]one reported seeing large numbers of civilians killed. All said they were allowed to surrender or evacuate when they were ready to do so." Even a British military adviser to Amnesty International was quoted "as dismissing the Palestinian allegations of a massacre and predicting that no evidence would be found to substantiate them." Abdel Rahman Sa'adi, a 14-year-old Islamic Jihad warrior (yes, Islamic Jihad employs child soldiers), confided to the *Globe* that the Israeli troops "told all the small kids to just leave, and they let all the women go.... None of them were kept for questioning." And then, triumphantly, Abdel proclaimed: "This was a massacre of the Jews, not of us." Perhaps someone should tell the U.N. secretary-general.


UNDER THE NEW REFORM BILL, WE ONLY LOOK AT CORPORATE BOOKS IF OPRAH RECOMMENDS THEM.
SEC
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WE READ THE REVIEWS WRITTEN BY THE AUTHORS -
TOLES
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CLARIFICATION: In the May 6 article "Numbers Game," Noam Scheiber describes "a short article by AEI [American Enterprise Institute] Fellow Kevin Hassett comparing the returns under a hypothetical private pension system to actual returns under Social Security," the claims of which a Council of Economic Advisers (CEA) economist deemed "misleading." Hassett informs us that he was not the author of the article—an informal piece, which was never submitted for publication—though he confirms that he checked the piece's calculations, forwarded the piece to CEA Chairman Glenn Hubbard, and answered questions from the CEA economist regarding the piece. ■

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White House Watch

Double Time

By Ryan Lizza

Political fund-raising can have unintended consequences. For President Bush, who has been starring in two or three events per week to raise money for Republicans around the country, the buck-raking has forced him back into a conversation about domestic issues. Why? In order to get the government to share the cost of all this political travel, the White House has to gin up an official event for the president at every fund-raising stop. But unless Bush actually says something new at these pseudo-events, reporters will only write about the real reason for the trip: raising money. So the more fund-raisers he attends, the more he is forced to make some kind of news. And that's one reason the man who normally avoids diluting his message with too many extraneous pronouncements has been positively Clintonian lately, opining about a host of second-tier public policy issues—Head Start in Pennsylvania (where he attended a fund-raiser for gubernatorial candidate D. Michael Fisher); ethanol in South Dakota (Senate candidate John Thune); and the Senior Corps in Connecticut (Governor John G. Rowland and two GOP House members).

But Bush's return to domestic politics is being driven by the changing issues terrain, too. A few months ago Washington Democrats assumed they would spend the rest of the year pummeling Bush over Enron and the recession. Meanwhile, the White House tried to use the war on terrorism (in part, by adding the word "security" to every issue) to pass its entire pre-9/11 agenda. Both sides have now abandoned those strategies. As the Enron scandal has faded and the economy has recovered, Democrats have returned to election-year standbys like Medicare and Social Security. And during his California fund-raising trip this week, Bush officially ditched his months-old argument that the administration's entire domestic agenda is tied to national security. Instead of using the war on terror as a way to talk about everything from energy to welfare reform, Bush has returned to the theme on which he campaigned for president: compassionate conservatism. Indeed, in his remarks in San Jose on Tuesday, instead of tying his domestic policies to the war, Bush made the opposite case: that compassionate-conservative principles actually drive his foreign policy.

The president's advisers billed the California speech as an important reiteration of Bush's governing philosophy. "We tried to remind people that there is some consistent theme behind the president's policies," says a White House official. And to a limited extent, that's true. Bush does have a domestic agenda that is guided by a coherent philosophy, summed up by this Gersonian couplet: "It is compassionate to actively help our fellow citizens in need. It is conservative to insist on responsibility and results." On Tuesday Bush highlighted three administration policies that fit this definition. In education, the bill Bush signed this year uses federal funds as leverage to require that states ensure student progress through standardized tests. Similarly, Bush's proposed welfare plan would stiffen the work requirements for beneficiaries and encourage marriage. And recently Bush has adapted this model to foreign aid as well. "Greater aid contributions from America must be and will be linked to greater responsibility from developing nations," he said Tuesday.

The problem is that the *rest* of the Bush agenda doesn't fit into this tidy framework. In fact, Bush has two domestic agendas: one defined by compassionate conservatism and one by large corporate interests. If the former informs his policies on education, welfare, and foreign aid, the latter determines how he approaches, well, pretty much everything else. In particular, the administration's agenda on health care, energy, and the environment fits a pattern: Business concerns trump virtually all other considerations. There is an intellectually defensible philosophy behind these policies; it just doesn't have anything to do with the compassionate conservatism that the president says "guides my administration."

This latter agenda was on display in Bush's speech on mental health parity in New Mexico on Monday. A Senate bill with 66 co-sponsors (18 of them Republicans) would require group health plans to treat benefits for mental illness the same as other medical benefits. It's bitterly opposed by health insurance companies and by the House Republican leadership; yet one of its chief sponsors is Pete Domenici, New Mexico's Republican senator, who became a champion of such legislation because of the experiences he had getting treatment for his schizophrenic daughter. But rather than actually endorse the Domenici bill, Bush made a vague promise to work toward some kind of compromise, one that doesn't "significantly run up the cost of health care"—a telling phrase that suggests his position is closer to that of the insurance companies than that of Domenici.

It's the same approach he's taken with the patients' bill of rights, loudly expressing support for the idea of the legislation but standing in the way of its actual passage. For months the White House and Ted Kennedy have been negotiating a compromise bill, but a Senate aide closely involved in the talks says they are now virtually dead. As with the patients' bill of rights, Bush points to his record in Texas when talking about mental health parity. "As the governor of Texas, I signed a bill to ensure that patients who critically need mental health care are treated fairly," he said Monday. Bush's Texas patients' bill of rights famously passed despite his opposition to it. The Texas law he is now touting—mental health parity, which applied only to severe mental disabilities and to a small number of insurance policies—is a pale version of what Domenici has been fighting for. And these aren't isolated examples: On prescription drugs, conservation, campaign finance, pension reform, and a host of other issues, Bush has co-opted the language of

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What Are Education CEOs Up To?

Paul T. Hill is a esearch professor at the Center on Reinventing Public Education, niversity of Washington; distinguished visiting ellow, Hoover Institution; and member, oover's Koret Task Force on K–12 Education.

We now know a few things about CEOs. Their job is to make their organizations look good, however troubled and ineffective they might be. They do not feel obligated to divulge troubling information that might affect public confidence, cause valuable employees to leave, or make it difficult to recruit in the future.

Education CEOs are no exception. I have learned, in the course of research on the leadership problems of big-city school districts, that superintendents also need to downplay problems. **They put a bright face on negative circumstances out of fear that creating a crisis may lower public confidence or discourage potential successors.**

Superintendents are always ready to tell about "neat things" their districts are doing to turn around troubled schools, develop the skills of deficient teachers, and reduce the achievement gap between poor and middle-class children.

But when pressed they tell a different story. When asked whether the "neat things" are likely to make a big difference, many say no. Professional development cannot turn schools around when virtually the entire teaching staff leaves at the end of the year. Schools serving the poorest children need longer school days and school years than other schools. Primary schools serving the poorest neighborhoods need simpler, more literacy-focused curricula than other schools. Troubled schools cannot improve if schools in the "nicer" neighborhoods always get a disproportionate share of the respected and experienced teachers.

Superintendents also know that pressing for fundamental changes in public schools might cost them their jobs. One administrator stated that "you can start something that might make a difference but you would never survive long enough to see it work out." Another said that superintendents "are constantly choosing between initiatives that might work but would get you fired and initiatives that are too weak to do much but might survive long enough to make a little bit of difference."

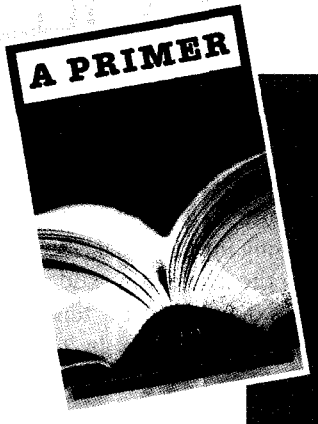
Doing what is needed would require reallocating money and personnel and looking outside the system for new ideas and people. Money is a huge issue: in the words of one superintendent, "You need to be able to change how every dollar is spent." But that might require funds from existing programs and schools in upper-income neighborhoods. Influential neighborhoods have the programs and teachers parents want, and they won't give them up readily.

Many superintendents also feel whipsawed between teachers and their unions. According to one administrator, "We can get union agreement for one thing, or cooperation from individual teachers for another, but we can rarely get both the union and the teachers to agree at the same time."

Superintendents have ideas about how to solve the persistent problems of public education. But like business CEOs they are programmed to pretend that all is well and that all problems will shortly be conquered. Donors to public education assume that the superintendent will tell them what is needed, which is not a safe assumption. Like investors in the stock market, policymakers and philanthropists need to ask hard and impolite questions.

— Paul T. Hill

Paid for by the Hoover Institution, Stanford University.



Want to learn more about K–12 education policy?

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popular initiatives while seeking to replace them with more industry-friendly alternatives.

White House aides say it was Karl Rove who pressed for a big speech in California to remind the public what compassionate conservatism is all about. "Karl was pushing for it," says an aide. It's a tacit recognition that in this election year the administration is being defined far more by Bush's second agenda than by his first. And of course, as Bush tries to return to compassionate conservatism, Democrats are focusing on the soft underbelly of his business agenda. Soon after the speech, Tom Daschle called on Bush to support Domenici's mental health legislation. Democrats have used the president's energy bill to attack his environmental record. They are turning the fast-track debate into a discussion about health care and job assistance, and soon they will go after his education funding request and prescription drug proposal.

Some of the attacks, of course, are cheap, partisan shots. But the inherent problem with Bush's domestic agenda is not that different from the problem with his foreign policy—two incompatible ideologies render the overall message incoherent and open to criticism. Like the Bush Doctrine, the president's newly defined compassionate conservatism is simple and appealing, yet inapplicable to many of his actual proposals. This isn't exactly a new story: Compassionate conservatism has always been both a set of policies and a beard for a less popular agenda. But for months Bush used the war to paper over these tensions by redefining his agenda in terms of "security." His recent string of domestic policy speeches has brought the conflict to the surface once again. Maybe the White House would be better off if reporters just focused on Bush's awesome fund-raising instead. ■

The deficit gets worse, and so does Bush.

Red Handed

By JONATHAN CHAIT

THE LATEST IN what has become a steady stream of bad budgetary news arrived last Friday, when newspapers reported that this year's deficit is estimated to be about $100 billion—twice as large as previous forecasts had suggested. President George W. Bush immediately offered a multilayered defense packed with jaw-dropping mendacity. First came denial. "Of course, it's all speculative to begin with," he told reporters. "I don't know the models that they guessed [sic], but it's guesswork thus far." (Actually, this year's revenue forecast, which is based on tax returns that have already come in, is fairly reliable. What's unreliable are the ten-year budget forecasts, which Bush was only too happy to treat as money in the bank while selling his tax cut last year.) Next Bush offered up what has in recent months become his all-purpose escape clause: "I want to remind you what I told the American people, that if I'm the president—when I was campaigning, if I were to become the president, we would have deficits only in the case of war, a recession, or a national emergency." Bush, somewhat morbidly, plays this line for laughs in his speeches, chuckling, "Never did I realize we'd get the trifecta." But this escape clause is not only a falsehood; it's actually a revision of a previous falsehood, which itself was consciously designed to cover up the fact that the budget is in far worse shape than Bush lets on.

A LITTLE HISTORY IS in order. Bush's original promise on the budget was extremely clear: He would devote the entire Social Security surplus to debt reduction. This meant more than merely balancing the budget. Because Social Security takes in around $200 billion more than it spends every year, Bush had effectively pledged not only that he wouldn't run overall deficits, but that he would substantially pay down the national debt every single year. Not only did Bush make no exception for emergencies, but he specifically promised that even if emergencies arose, they would not force him to break his pledge. On February 27, 2001, in his first address before Congress, Bush assured that his budget would "prepare for the unexpected, for the uncertainties of the future" by setting aside "a contingency fund for emergencies or additional spending needs" totaling "almost a trillion dollars." (In case you're wondering what happened to that contingency fund—we sure could use it right about now—the answer, as you might have guessed, is that it never existed.)

It was only last summer—as it became obvious that the administration would have to dip into the Social Security surplus to pay its bills—that Bush invented his escape clause. As TNR's Ryan Lizza reported at the time (See "Raising Keynes," September 10, 2001), in an August 20 speech Bush hinted that he could tap the Social Security surplus in case of recession or war. His economic adviser, Larry Lindsay, said so explicitly the same week, and then Bush again reiterated the "war or recession" exceptions days later. Soon enough, Bush's aides were claiming he had "always" made these exceptions—though there is no evidence he had ever made them before, and the White House has been unable to cite an instance when he did. Over subsequent weeks the imaginary escape clause continued to mutate, with Bush throwing in the specific (false) detail that he had made the exception during the campaign and adding "national emergency" to the list of exceptions he'd supposedly made. (Apparently, the "trifecta" plays better comedically.)

In recent weeks Bush has rewritten his budgetary history yet again. Now the president tells audiences he has always said that in a time of recession, war, or national emergency, he could not only borrow from Social Security's surplus but could run *overall budget deficits*. In other words, the administration now justifies not only dipping into the Social Security surplus, but actually borrowing the whole thing and *still* running red ink. Bush promises that deficits will be "temporary"; budget forecasters project them to disappear by 2005.

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But the official numbers leave out all sorts of costs, mainly new spending and tax cuts favored by both parties. Richard Kogan, a budget analyst at the Center on Budget and Policy Priorities, figures that a politically realistic accounting would show the budget running modest deficits (in the $25 billion to $50 billion range) for years on end. If the economy performs better than expected, of course, that might not happen. Then again, if it performs worse, as it has recently, deficits could grow even larger. Meanwhile, Bush's *own projections* show him tapping the Social Security trust fund by at least $100 billion every year for the foreseeable future. His original promise to reserve the Social Security surplus has fallen down the memory hole.

SETTING ASIDE THE question of whether the president should repeatedly lie without consequence—conservatives used to really care about this—does a little red ink really do any harm? Yes, it does. We have only one decade left until the baby-boomers begin retiring. Paying off the debt before then would spare future taxpayers having to pay interest costs—which currently soak up almost $200 billion per year—and thus make it easier for them to bear the burden of more expensive medical and retirement costs.

Reducing government debt also frees up capital for private investment, lowering long-term interest rates and promoting growth. Conservatives, seeking to justify the red ink produced by Bush's tax cut, try to deny the connection between deficits and long-term interest rates. "We have very little empirical evidence to suggest much of a link between deficits and interest rates," claimed White House economist Glenn Hubbard earlier this year. But Bush himself has endorsed the link when it suits him. "I'm mindful of what overspending can mean to interest rates or expectations of interest rates," he said last week. The game here is obvious—and obviously dishonest. The administration stresses the harmful effects of deficits when discussing spending but downplays those exact same effects when the topic is taxes. (As a result, what Bushies actually *believe* about deficits and interest rates remains anybody's guess.)

Perhaps most important, the commitment to setting aside the Social Security surplus, while a clumsy mechanism for enforcing fiscal discipline, had the benefit of curtailing the natural gluttonous urges of both parties. Now that Bush has broken down all the bulwarks of fiscal responsibility, nothing prevents Congress from reverting to its natural wasteful ways. And so, it has. In recent months both parties have eagerly endorsed a "stimulus bill"—several years' worth of pork for the business lobby designed to cure a slowdown that has already ended—huge grants for already coddled farmers, an energy bill with tens of billions in industry subsidies, and more. Both parties in Congress, with the White House's consent, have waved these bills through as though they had limitless resources. The irony, of course, is that the administration's argument for the tax cut was that it was supposed to squeeze out wasteful spending. But when the White House exercises no restraint on its own budget-busting priorities, it's in no position to stop Congress from doing the same. ■

Tallahassee Dispatch

Zoned Out

By DIANE ROBERTS

ONE EVENING IN late March a couple dozen students tried to stage a camp-in on the grass in front of Westcott, the main administration building at Florida State University. The students, members of an anti-sweatshop group, were trying to pressure the administration to join the Workers Rights Consortium, an international organization that monitors the conditions of Third World workers who make athletic clothing emblazoned with university names and logos. FSU has a $3 million-per-year endorsement deal with Nike that puts the Swoosh on all products worn by its athletic teams. Students were concerned that the university cared more about Nike than about sweatshop conditions.

But the students had barely pitched their tents when campus police showed up and arrested twelve of them. They were, the cops explained, protesting outside of a designated "free speech zone." There are two such zones at FSU, one near the university library and another near the student union—each about the size of a tennis court. The students were charged with "trespass after warning" and were hauled off to the Leon County Jail. They were released eight hours later after each posting a $500 bond; but some face up to one year in jail, a $1000 fine, and possible expulsion from the university. (Carey Drayton, the chief of campus police, seemed somewhat embarrassed by having arrested a clutch of kids who'd done nothing more aggressive than waving American flags and singing "We Shall Overcome." As the students were being handcuffed, Drayton offered to testify on their behalf.)

Free speech zones first emerged in the late 1980s. And since then they have grown increasingly common at America's public universities. Berkeley, the cradle of student activism, now restricts where and how campus demonstrations take place. Kansas State, Iowa State, and the universities of Houston, Mississippi, Central Florida, Southern California, and West Virginia—to name but a few—also restrict and regulate the location of speech. At these schools, the administration has selected certain (usually small) places, often located in obscure corners of the campus—safely out of sight of deans, donors, and the general public—as free speech zones. The conduct code at West Virginia University, for example, provides students with two out-of-the-way patches of ground, each about the size of a small classroom, on which to demonstrate. At the University of Mississippi, only the limited space in front of Fulton Chapel is available for student assembly. "Used to be we had a sea of freedom with some islands of restriction," comments Rick

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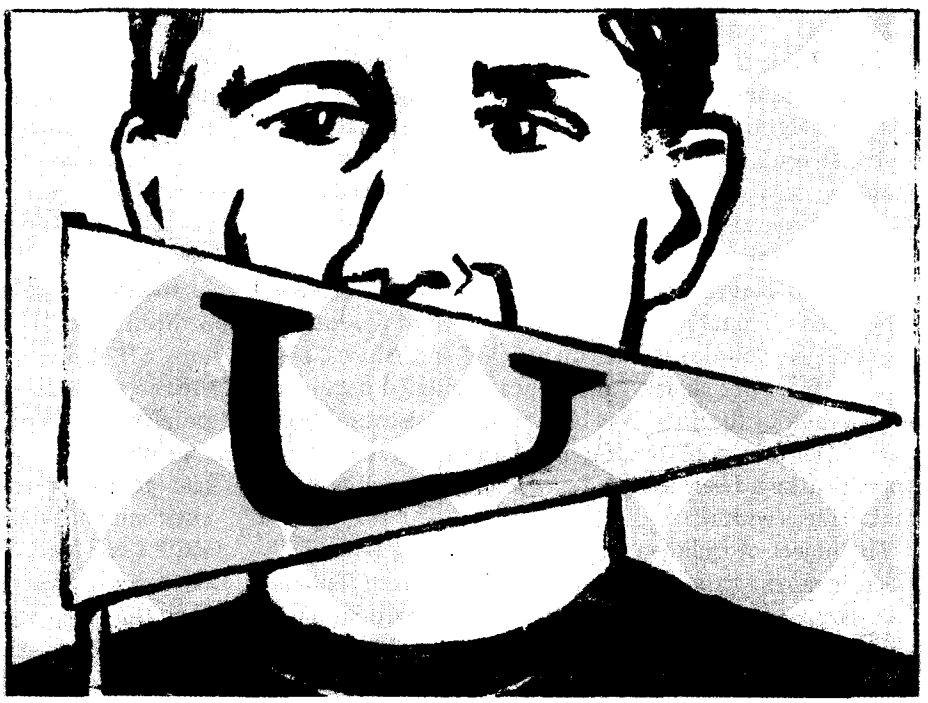
Johnson, a Tallahassee civil rights lawyer who attended FSU in the 1960s. "Now the campus is a sea of restriction with some islands of free speech."

University administrators generally don't talk much about these free speech zones—until students try to protest outside of one. James Nussbaumer, a member of the Student Coalition Against Labor Exploitation at USC, was cited by campus cops for passing out anti-sweatshop leaflets near the university bookstore in 2001. Until the policy was recently suspended pending review by the chancellor, students at the University of Wisconsin-Whitewater were banned from "political activity"—distributing pamphlets, discussing candidates for office, signing petitions—in residence halls and classroom buildings. And it's not just left-wing activism that gets muzzled. An anti-abortion student group recently filed suit in federal court against the University of Houston, accusing administrators of violating their First Amendment rights by refusing to permit them to display photos of aborted fetuses in a central location on campus.



One of the ironies of the move toward free speech zones is that many of the university administrators instituting them are themselves veterans of the protest movements of the '60s. FSU President Talbot "Sandy" D'Alemberte, for instance, has been called an "icon of the First Amendment" for forcing Florida courts to allow cameras in courtrooms and for protecting reporters' right to keep their sources confidential. (In the early 1970s FSU was known as "the Berkeley of the South.") But today's restrictions aren't primarily about ideology; they're primarily about fund-raising—the demands of which have grown steadily in recent years. FSU officials, for instance, initially said protesters could not congregate in front of the administration building because visiting alumni liked to take photos around the fountain there, so the university needed to keep the place "looking nice." Loud, public controversy on campus, whether about the Middle East, reproductive rights, or sweatshop-made merchandise, is bad for p.r. And it's also bad for relations with state legislators—the other source of funds for public colleges. In 2001 state officials actually tried to cut Florida Atlantic University's funding because its theater department staged *Corpus Christi*, a play by Terrence McNally that chronicles the coming of age of a Christ-like gay man in modern-day Texas.

Administrators insist that the courts have upheld their right to regulate the "time, place, and manner" of speech. Says D'Alemberte about the FSU protesters, "The only thing hampered was their desire to set up tents wherever they darn well wanted." But in the '60s, when today's administrators were protesting, universities were generally far more tolerant of raucous speech anywhere on campus. Johnson demonstrated against U.S. involvement in Vietnam and censorship of the campus literary magazine (at one point camping out for three weeks) on the same patch of grass where the anti-sweatshop students were charged with trespass. "We weren't even threatened with arrest," he says.

And the courts, say First Amendment lawyers, have been loath to restrict speech in a "traditional public forum"—a place where people have historically assembled to express ideas or to demonstrate. The administration building at a university—like a capitol building—is the obvious place to protest policy. Moreover, it is hard to see how students at a state university—which is, after all, public property—should not be given broad leeway to assemble and make themselves heard. Indeed, Steve Gey, a constitutional law professor at FSU's College of Law, says, "Universities are more obligated than the rest of government to allow a range of speech." The U.S. Supreme Court has concurred; in 1957 the court underlined the importance of free speech on campus, proclaiming that "to impose any straitjacket upon the intellectual leaders in our colleges and universities would imperil the future of our nation."

Perhaps fearing a backlash against restrictions, some schools are already rethinking free speech zones. While Iowa State and West Virginia University are trying to fine-tune their policies, New Mexico State, the University of South Florida, and Penn State have abandoned free speech zones altogether. At FSU more than 50 young activists have moved their tents to a designated free speech zone, and they have expanded their protest beyond sweatshops: Now, they say, they are fighting for the First Amendment too. Old-time student activists are experiencing déjà vu. Back in 1969 the U.S. Supreme Court ruled in an Iowa case that "[f]reedom of expression would not truly exist if the right could be exercised only in an area that a benevolent government has provided as a safe haven for crackpots." Looks like that battle may have to be fought once again. ■

HADLEY HOOPER

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The war on tobacco becomes the war on fat.

Heavy Duty

By MICHELLE COTTLE

PROVIDENCE, RHODE ISLAND

KATHY CULLINEN, HEAD of the Rhode Island Department of Health's Obesity Control Program, spends the first hour or so of our interview doing her best impression of a garden-variety bureaucrat. Soft-spoken and subdued, Cullinen speaks of her small-scale, mostly school-based fat-fighting efforts in a gray, tranquilizing blend of alphabet-soup acronyms (PI, RFP, BRFSS, ASTD) and mind-numbing terms like "needs-assessment" and "incentivize." But as she relaxes and starts talking more expansively about what government *could* do to get citizens in shape—if money and politics were not a consideration—Cullinen's inner revolutionary momentarily claws toward the surface: "Let me give you this wonderful article!" she exhales, popping up from her chair to grab a neatly stapled document from a shelf by the door. "I've been trying to restrain myself, but..." Her voice trails off. Handing over the pages, Cullinen appears to have been rendered speechless by her admiration for the ideas within.

The object of Cullinen's ardor is an article dramatically titled "HALTING THE OBESITY EPIDEMIC," from the January/February 2000 issue of *Public Health Reports*. Co-authored by Marion Nestle, the ironically named chair of NYU's Department of Nutrition and Food Studies, and Michael Jacobson, head of the Center for Science in the Public Interest (CSPI), the article offers a public policy blueprint for achieving a Brave New Nonfat World. Proposing everything from junk food taxes to restrictions on soda ads, Nestle and Jacobson argue that public and private health organizations have, for a half-century, foolishly focused anti-obesity efforts on "individual behavior change." "What is needed," they assert, "is *substantial* involvement of and investment by government at all levels." In other words, Uncle Sam needs to start treating your Häagen-Dazs habit like the public health crisis it is.

And slowly, fitfully, he has been. In October 2000 the Centers for Disease Control and Prevention began distributing grants to help states develop anti-obesity programs like Rhode Island's. Legislators in Vermont and California are considering taxing soda and junk food; anti-tax Texas has instead made physical education mandatory in elementary school; and this year schools in Pennsylvania and Florida sent warning letters home to the parents of overweight kids. Last December the Department of Health and Human Services (HHS) issued "The Surgeon General's Call to Action to Prevent and Decrease Overweight and Obesity," outlining steps communities should take to get in shape. And this April the Internal Revenue Service officially recognized obesity as a disease, ruling that the clinically obese may deduct the cost of their weight-loss treatments.

The reason for all this activity isn't hard to grasp. In 1999 an estimated 61 percent of all adults in the United States were classified as overweight, with nearly 20 percent deemed clinically obese. Moreover, 14 percent of kids and teens are too heavy, putting them at increased risk for health problems once found mostly among adults, such as Type 2 ("adult-onset") diabetes. The surgeon general's office attributes some 300,000 deaths per year to such obesity-linked illnesses as heart disease, diabetes, and cancer. The annual cost of treating these and other fat-related ailments—asthma, arthritis, high blood pressure, gallbladder disease, etc.—tops $117 billion. Accordingly, in recent years fat has increasingly been regarded as a societal rather than a personal problem. Researchers and public health officials contend that we are overweight not simply because of bad habits, bad genes, or bad role models, but because of a bad environment—organized around cars, television, and irresistible bad food. "There are so many pressures on people to be thin and physically fit that if willpower was enough, we'd have the weight problem solved," Kelly Brownell, head of Yale's Center for Eating and Weight Disorders, recently told *USA Today*. "But until the environment changes, it will be impossible to reverse the increasing prevalence of obesity."

Cullinen and her boss, Ann Thacher, chief of health promotion and chronic disease prevention for Rhode Island, could not agree more. "The focus on individual behavior change—like billboard campaigns saying 'Reduce fat in your diet'—has proved ineffective," says Thacher. As a result, the public health community is looking more and more toward "environmental" solutions. These, she explains, could entail everything from encouraging developers to build more inviting staircases (thereby discouraging reliance on elevators), to "incentivizing" the use of public transportation, to encouraging businesses to provide healthful food options and exercise breaks for employees. This sort of "encouragement," of course, would require a wave of new policymaking: new zoning ordinances, new building codes, new education, transportation and public health mandates, and, of course, new taxes. It would also require a fundamental shift in the way people think about food, exercise, entertainment, travel—and pretty much every other aspect of "the American way." For instance, offers Thacher, "you could help people understand that they don't have to drive *everywhere*."

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Some might regard such a massive cultural transformation as impossibly utopian. But Cullinen and Thacher believe it's inevitable, and they take heart from the success of another recent public health crusade: the anti-smoking struggle. "Tobacco has plowed the field for the policy community," says Thacher. As Brownell recently told *USA Today*: "[I]f you look back 30 years ago, you would have said the tobacco industry was massively powerful, and no one would have thought there was any hope for changes. But now you can't smoke in public places, there are sky-high taxes on cigarettes, and states have sued tobacco companies.... I think we are at the very beginning of a similar movement with food."

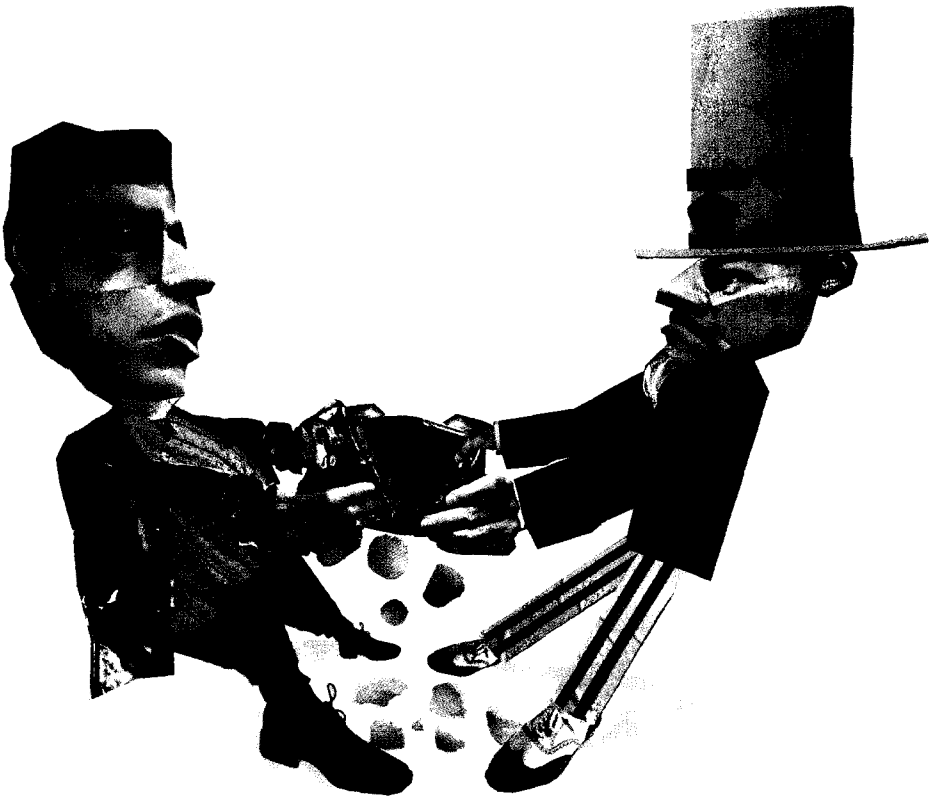
Just a few years back the only people suggesting a parallel between cigarettes and Big Macs were tobacco-industry reps seeking to *discredit* the anti-smoking movement—and their slippery-slope arguments generally elicited jeers. In April 1998, as Congress squabbled over a tobacco bill, a *Washington Post* editorial denounced the fatty-foods analogy as an effort "to change the subject." "Tobacco," the *Post* assured its readers, "is a unique product. Its disastrous effect on public health and the duplicitous history of the industry both make it so. What happens to it is not a threat to other industries."

But the *Post* (among many others) may soon owe those tobacco executives an apology. As early as 1998 Brownell, who is credited with having popularized the "Twinkie tax," caused a stir by informing multiple media outlets, "To me, there is no difference between Ronald McDonald and Joe Camel." By last year the U.S. government was coming around to a similar view. In his obesity "Call to Action," Surgeon General David Satcher cautioned, "Overweight"—anti-fat advocates use the word as a noun as well as an adjective—"and obesity may soon cause as much preventable disease and death as cigarette smoking." Making an oft-cited comparison, the statement noted: "Approximately 300,000 U.S. deaths a year currently are associated with obesity and overweight (compared to more than 400,000 deaths a year associated with cigarette smoking)."

Taking another page from the tobacco playbook, anti-fat advocates deny that eating is purely a matter of personal choice—highlighting fat merchants' aggressive and dishonest sales tactics. Nestle, whose new book *Food Politics* details how the food industry manipulates America's eating habits, explained in a recent phone interview that "where the similarities are really unnerving is in the marketing: The use of targeted messages to children, for example. The use of targeted messages to minorities." The unsuspecting fatties who, under relentless marketing pressure and often at an early age, develop a Hostess habit are—at least in part—victims of forces beyond their control.

But here's where the tobacco-fat analogy begins to fall apart. While the industries' marketing strategies may be similar, and the resulting health costs comparable, the products being marketed are not. Nicotine, as the *Post* rightly implied in its 1998 editorial, is a poisonous, highly addictive substance—addictive in the clinical sense, not in the I-can't-stop-noshing-on-these-Pringles sense. For decades tobacco executives knew this and blatantly lied about it (under oath), even as they worked to hook as many people as possible. McDonald's by contrast may irresponsibly, even intentionally, downplay the unhealthfulness of its fries; but, as even anti-fat warriors admit, those fries are not inherently toxic. And while Keebler tries to entice kids with cartoon pitchmen, no one has accused the company of manipulating the chemistry of Fudge Sticks to ensure clinical addiction.

Most anti-fat warriors admit that their new crusade is trickier than the one against smoking—in no small part because the food industry's argument that any food or drink can be enjoyed in moderation without compromising your health is (though self-interested) basically true. Nonetheless, say anti-fatties, most Americans are either too naïve or too weak to resist the persuasive power of fat merchants. "It's not fair," Nestle told ABC in January. "People are confronted with food in every possible way to eat more. The function of the food industry is to get people to eat more, not less." And, she insisted in our interview, the notion that parents should be responsible for what their kids eat is increasingly unrealistic: "Most parents I know aren't that strong. They're fighting a nine hundred billion dollar a year industry by themselves." Thus, government must level the playing field. CSPI (perhaps the foremost anti-fat organization) has long advocated a restriction on ads for soda and snack food during kids' TV shows. But for better or worse—OK, worse—whipping your target audience into a gotta-have-it frenzy is



TOM NICK COCOTOS

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what advertising is all about. And while using clowns and elves to peddle supercaloric treats to tots may be hardball, it's pretty much par for the course in the jungles of American capitalism. As even Nestle admits, "The seduction of food companies is no different than that of any other companies."

Which is precisely the argument against a government-sponsored war on fat. Does the food industry spend billions each year to make us crave goodies we don't need? Absolutely. So does the fashion industry, the auto industry, and the toy industry. Any number of the products we buy—motorcycles, string bikinis, stiletto heels—can be hazardous to our health when used irresponsibly. There's little doubt that lives and health care dollars would be saved if the government prodded Americans to drop 15 to 50 pounds. We could also reduce skin cancer rates if we taxed flesh-exposing swimsuits and prevent auto accidents if we taxed Corvettes (or teenage drivers). Americans do all kinds of things that are bad for them, and for the most part the government lets us, unless there's a strong likelihood that we will hurt someone other than ourselves.

Which is, incidentally, another important distinction between fatty foods and cigarettes. It's hard to believe the war on tobacco would have gotten out of the barracks were it not for mountains of research demonstrating the health impact of smoking on nonsmokers—innocent bystanders who happened to get in the way of a stray puff in a restaurant or at work. To date, there's no scientific evidence of the dangers of second-hand cholesterol: Watching a co-worker wolf down that Filet-o-Fish may make you want to gag, but it's not going to give you heart disease.

None of this is to say that Americans—especially children—wouldn't benefit from better dietary education. If HHS, state health agencies, or even the American Medical Association want to run public service ads singing the praises of cantaloupe, fantastic. There is also a compelling case that, during school hours, when kids are under government supervision, every effort should be made to provide a healthful environment. Many states are considering prohibiting or restricting vending machines on school grounds. Nestle and CSPI's Jacobson advocate banning junk food ads from the in-class network Channel One. And a quick survey of school cafeteria fare—frequently laden with nachos, pizza, burgers, and Tater Tots—suggests that more attention could be paid to the dietary messages we're sending. For that matter, a little classroom time on the ABCs of nutrition and exercise wouldn't hurt either.

But when you move from school to home, and from suggestion to intervention, you quickly enter intellectual quicksand. While anti-tobacco advocates had a clear target, figuring out where to draw the boundary in the fat wars could prove impossibly complicated. As Nestle writes in *Food Politics*: "Unlike the straightforward 'don't smoke' advice, the dietary message can never be 'don't eat.' Instead, it has to be the more complicated and ambiguous 'eat this instead of that,' 'eat this more often than that' and the overall prescription 'eat less.'" The upshot is that it's almost impossible to draw clear, bright lines about which foods merit sanctions such as fat taxes or ad restrictions and which ones don't. One approach is simply to create a broad, amorphous category of "junk food," which is more or less what California did when it created a snack tax in 1991 (aimed primarily at closing its budget gap, not improving health). As a result, California's law was filled with nonsensical distinctions. For instance, Twinkies were taxable; doughnuts weren't. (The following year voters repealed the wildly confusing, highly unpopular measure.) Of course, given the massive economic implications, it's likely that, if implemented nationally, such distinctions would quickly become the focus of intense lobbying—meaning that politics, not merely nutrition, would determine which foods took a hit. To avoid such subjectivity, some anti-fat crusaders have suggested levying taxes according to fat content instead. But that would leave out countless crummy, fattening—yet virtually fat-free—foods (such as Skittles and chocolate syrup), while penalizing relatively healthful foods (think nuts and granola) that are high in fat. At present the anti-fat movement's most popular target seems to be America's soda habit. But a tax that applies to Pepsi One and Diet Coke but not to Yoo-hoo, Gatorade, lemonade, Mocha Frappuccino, or any of the countless sugary fruit "juices" on the market seems decidedly unjust. Now, you could argue—and the anti-fat warriors do—that Diet Coke, while not fattening, has absolutely no nutritional value. But if we're going to expand our list of socially unacceptable products to anything that isn't actively healthy (as opposed to unhealthily fat-promoting), then we are wading deep into Huxleyan territory.

And the quicksand isn't simply intellectual; it's cultural as well. The United States is overwhelmingly fat, but it is not uniformly fat. Poor folks tend to be fatter than rich folks. Minorities tend to be fatter than whites—and not simply because inner-city blacks and Latinos can't afford to eat well. As Thacher and others point out, some of the food traditions woven into Hispanic culture contribute to obesity. In some Latino communities, being plump is still a sign of affluence and is therefore considered desirable. It's one thing for anti-fat warriors to attack a global conglomerate like McDonald's for trying to make people porky; it's quite another to tell an entire community to rethink its culture.

What it comes down to, ultimately, is that our relationships to food are simply too complex for the government to oversee. People eat differently in New Orleans than they do in Berkeley. And they do so, for the most part, because they want to. Sure, we would be a healthier society if everyone ate what they eat in Berkeley. But do we really want to live in a country where the government pressures us to do so? Health is only one measure of a good life, and government is far too crude a mechanism to effectively—or humanely—calibrate its importance for millions of different people. Slippery-slope arguments are usually specious, and until recently the fat-tobacco analogy offered by tobacco execs seemed so as well. But, in fact, we are on the exact slope they claimed, and we are picking up speed. Somewhere, Joe Camel is laughing. ■

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Will gambling kill Kentucky horseracing?

Horse Trade

By JASON ZENGERLE

ON A CLEAR day, when the sun shines so brightly that the Kentucky bluegrass actually looks just a little bit blue, Arthur Hancock can stand atop one of Bourbon County's rolling hills and survey a good portion of the 2,000 acres he calls Stone Farm. He can see the low-slung barns; the tall ash and oak trees; the miles of wooden fence; and, most importantly, the horses. Stone Farm has more than 200 of them—mares looking after their foals, yearlings grazing together, stallions prancing in their private paddocks. But about five miles from Hancock's perch, just over the horizon and out of his sight, there is another horse farm, Claiborne Farm—the farm that was supposed to be his.

Hancock is a fourth-generation horseman—the son of the legendary Bull Hancock, who in the mid-twentieth century turned Claiborne into the mightiest farm in all of Kentucky horsedom. But as a young man, Arthur's first love wasn't horses; it was music: He played the guitar and wrote songs, and he was good enough at both that in the mid-1960s he signed a deal with Monument Records. Arthur kept a hand in the horse business—working for Bull at Claiborne—but even then he indulged in the musician's lifestyle, drinking and carousing and occasionally spending the night in jail. He was, he once said, "a freewheelin', hard-drinkin', guitar-pickin', bar-brawlin', skirt-chasin' fool." So much so that when Bull died in 1972, he left Claiborne not to the 29-year-old Arthur but to three trustees, all prominent members of the horseracing establishment, who—ignoring primogeniture—awarded the farm to Arthur's 23-year-old brother, Seth.

Denied his birthright and shunned by a buttoned-down horseracing establishment, Arthur left Claiborne's 4,500 acres an outcast and moved a few miles down the road to a 100-acre farm that had once belonged to a man named Stone. "It was a raggedy farm," recalls Al Smith, a Kentucky newspaper publisher who visited Hancock in the early days of his exile. "He was writing country music songs and playing the guitar, and his girlfriends would bring him comforts—food and other comforts—from town." But over time Hancock settled down. He married the daughter of a Louisville dentist; he moderated his drinking; and, relegating music to the status of a "strong hobby," he committed himself to the business of breeding and owning horses.

And like his father, he was good at it: Over the years he transformed Stone Farm from an Elba into the envy of horsemen all over Kentucky. In 1981 Hancock became the first breeder ever to sell a yearling filly for $1 million. A year later he attained an honor that had eluded even Bull: One of his horses won the Kentucky Derby—a feat he would accomplish two more times. All told, over the past 30 years, he has bred or raised more than 100 stakes winners. Stone Farm is now as much a part of the racing establishment as Claiborne; and Hancock, like his father before him, is considered one of Kentucky's top horsemen.

One cool morning in April, I visited with Hancock as he made his early rounds at Stone Farm. Standing outside a barn, he watched his farmhands lead a dozen or so yearling colts—fresh from their morning feeding—out to an adjacent field. A tall man with long limbs and an ambling gait, Hancock didn't flinch as some of the colts roughhoused a few feet away from where he stood. He squinted through his large glasses and examined each one, commenting on their physiques and bloodlines. "He looks like an athlete," Hancock said of one finely muscled colt. "He's got a little bit of Secretariat in him," he said of another. As the colts—a few million dollars worth of horseflesh—gamboled around the field, Hancock turned to me and smiled. "You might have just seen a Triple Crown winner," he said, "you never know."

Nearing 60 and a millionaire several times over, Hancock didn't need to be out by the barn looking at colts that morning. Stone Farm, after all, now employs about 30 people. But accompanying Hancock as he tended to his farm's business, it wasn't hard to see why he kept at it. With a passion unique to someone who has fallen away from the faith only to return, Hancock loves the horse world. As we drove the farm's roads, he kept up a running patter about the beauty of it all—the blossoming gum and maple trees, his prized stallion, the creek that runs through his property. "The horse business," Hancock finally pronounced, "is a good business." Indeed, the man who was once too rebellious and wild for that business has now become one of its most avowed traditionalists.

Which is why Arthur Hancock finds himself an outcast once again. The reason for Hancock's current estrangement is that he opposes introducing slot machines to Kentucky racetracks. And the Kentucky horseracing establishment is asking the state legislature for permission to do just that. Kentucky's eight racetracks, slots proponents argue, face a mortal threat from the floating casinos anchored on the Ohio River in Illinois and Indiana, and from the racetracks in West Virginia—known as "racinos"—that boast gaming machines. Without slots at the tracks, the argument goes, more and more Kentuckians will spend their entertainment and gaming dollars at the riverboat casinos, and more and more owners will race their horses for the higher, slots-fueled purses offered in West Virginia. And if Kentucky's racetracks struggle, so will the rest of the state's horse industry, which

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employs 80,000 people. "It's very straightforward," says David Switzer, executive director of the Kentucky Thoroughbred Association, which represents the state's owners and breeders. "We need the slot machines to protect the Kentucky horse industry."

Kentucky, of course, would hardly be the first place to allow slots at racetracks. Racinos—with their combination of old-fashioned horseracing and newfangled video-gaming machines—now operate in six states. But horseracing in Kentucky is not like horseracing anywhere else. Kentucky is the sport's historic and spiritual home—the place where more than 30 percent of the Thoroughbreds in the United States are born, the place that every first Saturday in May hosts what, even after 127 years, remains horseracing's most storied event: the Kentucky Derby. Indeed, Kentucky is one of the few remaining places where horseracing is even still viewed as a sport, much less the sport of kings. Expanded-gaming proponents contend that without slots to pump up the purses at the tracks—which will then translate into higher sales prices for owners and higher stud fees for breeders—Kentucky's signature industry and most abiding civic institution will wither and die. But for a man like Arthur Hancock, the question is this: Once Kentucky horseracing's saviors are done saving it, will it bear any resemblance to the thing they were so desperate to save?

HORSERACING HAS ALWAYS been inextricably linked to gambling: As long as man has been racing horses, he has been betting on the results. Originally the pastime of a small clique of British nobility who would wager large sums on what were often head-to-head contests between their favorite horses, horseracing came to the United States with the colonists. And, as in Britain, it was initially a pursuit largely restricted to members of the upper classes who owned horses themselves. But by the time the Civil War started, America's democratizing impulses had transformed horseracing into a pastime with mass appeal, and it had become a hugely popular spectator sport.

Kentucky horseracing's Mecca was Churchill Downs, the famed twin-spired racetrack in Louisville. Built in 1874 as a place for Kentucky's blue blood breeders to showcase their wares, the track paid out its race purses from the money it made from gaming. At first, bookies controlled gambling at the track. But by the early 1900s, as Timothy L. O'Brien writes in his book *Bad Bet*, the bookies were fixing races and bilking bettors. Facing a public backlash over horseracing's increasingly seamy reputation, Churchill Downs turned to something called parimutuel betting, which relies on tabulating machines, not bookies, to take bets—and therefore allows the odds to be determined by the gamblers themselves. With bettors essentially betting against other bettors, the track simply acted as a stakeholder, holding the bets—and taking a standard cut out of each one (usually about 20 percent) for, in effect, putting on the show. After Churchill Downs blazed the trail, the parimutuel system quickly caught on at racetracks across the country.

Over the years betting on horses has evolved. The standard "win," "place," and "show" bets—in which a bettor merely picks whether a horse will come in first, second, or third—are now joined by more elaborate wagers like "daily doubles," "exactas," and "trifectas"—in which a bettor must pick a combination of outcomes. And bettors are no longer limited to betting on races at the track they attend. With the advent of simulcasting, 80 percent of all the money wagered on horses is now done remotely. But no matter how much betting on horseracing has evolved, it is all still run on the parimutuel system.

For close to a century now, horsemen—particularly blue blood Kentucky horsemen—have pointed to the parimutuel system as proof that horseracing is a nobler pursuit than run-of-the-mill gambling. Unlike cards or slots or lotteries, in horseracing the house has no stake in the outcome. What's more, betting on the horses is not just a matter of luck: A good handicapper, horsemen will tell you, isn't that different from a good horseman—both study things like bloodlines and musculature to determine how a horse will run. That's why horsemen, while acknowledging that racetracks could not operate without the money they make from betting, have also claimed that gambling is largely tangential to "the sport." As Hancock puts it, "We're a sport that you can bet on."

BUT THAT WAS not what Churchill Downs President Alex Waldrop told me when I visited him at the track a few weeks before the Kentucky Derby. A lawyer by trade who grew up in Western Kentucky—"as far away from a racetrack as you can get in the state of Kentucky," he says, "and still be in Kentucky"—Waldrop was not involved with horseracing before Churchill Downs hired him as its in-house counsel ten years ago. But after rising through the corporate ranks to become the track's president, he is now one of the most important voices in the Kentucky horse industry. An energetic man in his early forties, with a ruddy face and boyish brown hair, Waldrop clearly relishes his position. Sitting in his wood-paneled, windowless office behind the track's clubhouse, I asked him if betting was horseracing's fundamental attraction. "Yes, it is," he said. "Horseracing is not like team sports or individual sports. It's very difficult to get a rooting interest, a team-like rooting interest in a horse. ... People have to have a betting interest."

As Waldrop sees it, horseracing is at a crossroads. "Horseracing used to be the only game in town—literally," he said. But with the growth of state lotteries and casinos, "racing now finds itself, in the first part of the twenty-first century, as one of a variety of gambling options." And the competition has hurt revenue at the tracks. The crisis is particularly acute in Kentucky, Waldrop said, because two tracks—Turfway Park near Cincinnati and Ellis Park (owned by Churchill Downs) in Western Kentucky—are being driven out of business by nearby riverboat casinos. Even Churchill Downs, one of the most profitable tracks in the United States (it posted net earnings of $22 million last year), has seen a drop-off in business, a drop-off it attributes to the Caesars Glory of Rome riverboat casino about 13 miles away in Indiana. If any tracks go under, Waldrop said, the state's year-round racing circuit—which in addition to good soil is one of the fundamental appeals of raising a horse in Kentucky—

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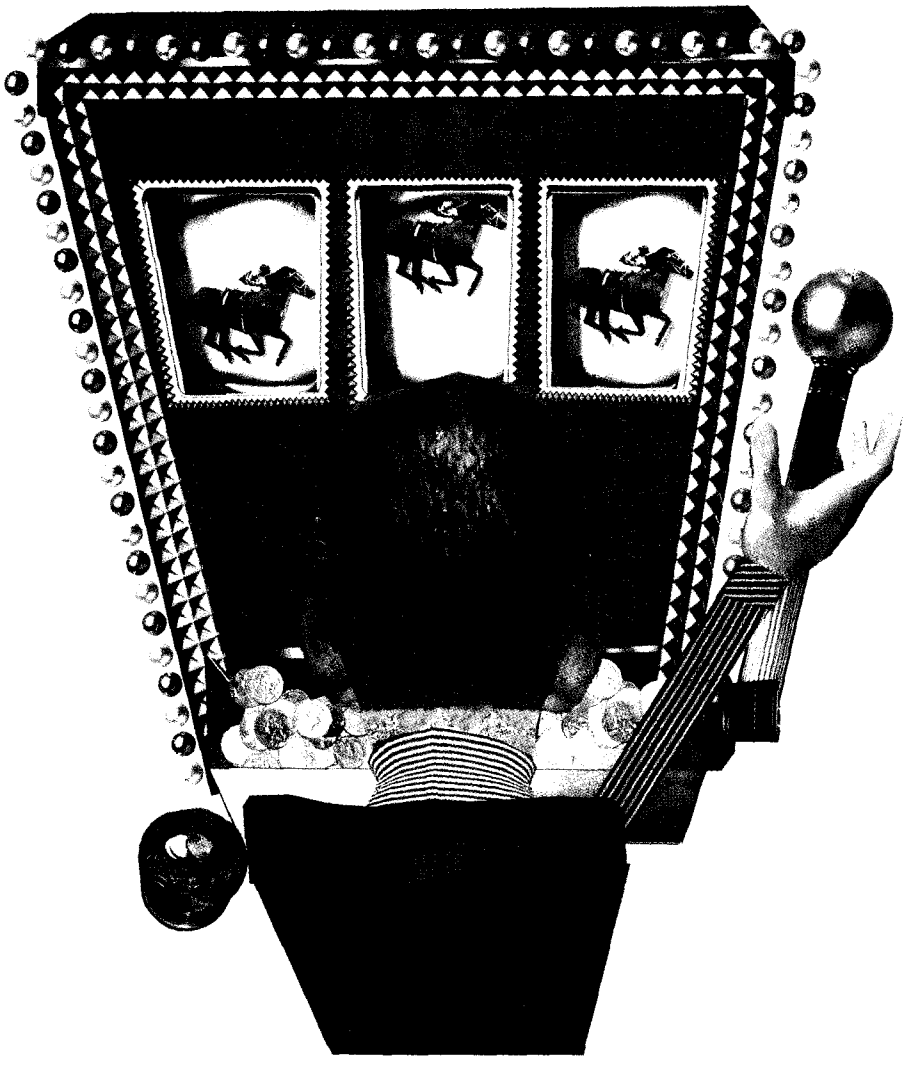

will be broken, dealing a serious blow to the state's entire horse industry.

Slots, Waldrop argued, would fix all that. "The best way to bring people back to the track is to offer them more variety at the track, to basically give them what they want," he said. "There are some people who are engaged by and enjoy ... wagering on horseracing. But there are many people for whom there's too much work involved or it's too intellectual.... You can play the slot machine twenty-five or thirty times in the span of time it takes to place a wager on a horse race." To house the slots at Churchill Downs, Waldrop envisions building a $100 million casino behind the track's grandstand. "The model we're working with is not one that says put a few machines in the corner," he said.

While Churchill Downs has been fighting for slot machines since 1994, the rest of the Kentucky horseracing establishment has only recently joined the battle. But now that it has, it's fighting with all its might: In the past year the Kentucky horse industry has launched an advertising blitz and lobbied legislators—all in all spending $1 million in support of slots. The money has paid off. Recent polls show that public opinion, once decidedly against slots, is now in favor of them. And in the legislative session that ended last month, the pro-slots forces, for the first time, got a slots bill passed out of committee. "This time last year we weren't in the game," Waldrop said. "Today people know and understand what we're about. They know what we can deliver." Several people in the horse industry told me they expect the slots bill to pass the full legislature next year.

One key reason is Kentucky's mounting fiscal crisis. Currently facing a $500 million budget deficit, the state needs a new revenue stream, which the slots would provide. "Gaming is a stable source of revenue for government," said Waldrop, citing predictions that slots would eventually bring Kentucky $300 million in annual tax revenue. "The question is, can we afford to leave those opportunities on the table? Can we afford to allow those hundreds of millions of dollars to go across the river to Indiana, Illinois, and other states when our own programs here are going begging?" Slots will not only save Kentucky horseracing, he seemed to be saying, they will save Kentucky.

In its argument to the state legislature, the Kentucky horse industry has stressed the fiscal benefits slots would bring. And as with other gambling debates, opponents have responded that slots would breed poverty and addiction. As the Reverend Nancy Jo Kemper, executive director of the Kentucky Council of Churches, puts it, "The gambling business is a predatory enterprise." She points to studies showing that a person who earns $10,000 per year gambles twice as much as someone who earns $40,000 and four times as much as someone who makes $80,000. "Slots would be a tax on people who are poor and desperate for luck."

Arthur Hancock, however, isn't particularly interested in that broader debate. "In the short term I'm sure slots will actually make people a lot of money," he says. "But in the long term I think they'll be bad for the horse business." Part of Hancock's opposition to slots—which he made public in a much-discussed editorial in the Lexington *Herald-Leader* entitled "NOT EVERYONE IN THE HORSE INDUSTRY BACKS SLOTS"—stems from a folksy brand of elitism. Slots proponents argue that higher purses will make horses a more attractive investment and lure new people into the industry, and Hancock doesn't necessarily disagree; he just doesn't think that's a very good thing. "One of the ways the horse business gained its respectability was by having nice, respectable people in it—people like the Whitneys and the Vanderbilts," he says. "They call it the sport of kings and the reason they do is because it takes a king to afford to be in it. ... And I worry that we wouldn't get nice, respectable

TOM NICK COCOTOS

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people in the game if we were involved with slots." After all, the horse world, as Hancock has always known it, is a world of timeless gentility, a world most people enter only when they've had enough of—and made enough money in—crass, commercial endeavors.

But at a deeper level, Hancock opposes slots because he fears they will ultimately take the focus away from the horses. "When you go to the racetrack you see a show," he says. "You get pageantry and tradition. ... I don't think the tracks can serve two masters. They're either in the horse business or they're in the gaming business. And, as a horseman, I want the tracks to have their primary interest be in horses." If it isn't, Hancock predicts, bottom-line-conscious racinos might eventually start wondering why their hugely profitable, low-overhead casinos are subsidizing economically sluggish, high-overhead racetrack operations at all—and horseracing will simply fade away. And without horseracing, places like Stone Farm—and perhaps Kentucky's horse country itself, an area so beautiful and unspoiled that more than one person has likened it to a ten-million-acre national park—will cease to exist.

Not surprisingly, Hancock turns to music for an analogy. Sitting in his car that April morning at Stone Farm, he talked about the father of bluegrass, Bill Monroe. "Times got really hard for Bill Monroe when rock 'n' roll came around," Hancock said. "He was having trouble finding places to play, and he wasn't making any money. I mean, there was a time there when he was playing for pennies. And people were saying to Bill Monroe, 'You need to put drums ... into your music to make it more commercial.' And Bill Monroe said, 'No, the mandolin has the chop, that's the percussion.' ... And he kept playing the way he'd been playing. And then the bluegrass festivals started picking up around the country, and he started making some money and doing better. And look at bluegrass music now. 'O Brother' is the number-one album in America." Hancock paused. "If we get into this slot thing," he continued, "it'd be like putting drums in Bill Monroe's music."

FOR TRADITIONALISTS LIKE Hancock, there is no better place to watch the races than at Keeneland. Located on 900 acres near the Lexington airport, Keeneland—with its rolling hills and rustic barns and cottages—looks more like a country club than a racetrack. Indeed, Keeneland, which is operated as a nonprofit, makes most of its money from its booming sales business—usually earning about $30 million per year from its horse auctions. But for about 30 days in the spring and fall, Keeneland plays host to the races.

On a Thursday in April, I caught one of Keeneland's nine-race bills. Like everything else at Keeneland, the racetrack itself is beautiful—a limestone structure with a slate roof and ivy-clad walls. Offering the highest average daily purse in the United States (more than $625,000), Keeneland draws only the best Thoroughbreds. And, as if they didn't want to sully the lovely surroundings, many of the 10,000 or so people at that day's races were dressed to the nines. Men wore coats and ties—or at least polo shirts and khakis—and the women sashayed around in sundresses.

The point, however, wasn't the gambling. The parimutuel windows did steady business, but most of the bets I overheard were of the small-time variety: "Third race, four dollars to show on number five." (Keeneland actually has one of the lowest per-capita wagers in the United States.) Rather, the real draw was pageantry and sport. Before each race, fans crowded the paddock area behind the grandstand and watched as the horses were saddled and led around by grooms. Then, after the horses were paraded to the track and the trumpeter, in a green topcoat with gold piping, had called the horses to the starting gate, the fans thronged the grandstand and the apron below to watch the race. To the extent that the betting line seemed to matter, it was only to make the races more dramatic. In the sixth race, when a 90 to one filly named Camara Cat sprinted down the homestretch and crossed the finish line ahead of the rest of the field, the crowd let out its loudest cheer of the day. That hardly anyone had bet on Camara Cat—that her unlikely victory had, in fact, made thousands of people into losers—barely seemed to matter.

DURING SUCH MOMENTS, it was easy to understand Keeneland's motto: "Racing as it was meant to be." But even Keeneland is adjusting to the times. After stubbornly refusing to join Churchill Downs' slots campaign for close to six years, Keeneland threw its support behind the effort about 18 months ago, removing the last major resistance to slots in the Kentucky horse industry. Keeneland has since indicated that if and when the slots proposal becomes law, it will start construction on a state-of-the-art casino—with buffet restaurants, ample parking, and thousands of square feet for slots parlors—somewhere on its 900 acres.

Before that day's races, I visited Keeneland's recently retired chairman, Ted Bassett—who remains one of the track's three trustees—at the office he keeps in a stone cottage on the eastern edge of the Keeneland grounds. A tall, courtly man with combed-back white hair and large, inquisitive eyes, the 80-year-old Bassett has had one of those richly varied lives that seem unusually common in horse circles. Born and raised in Kentucky, he was a basketball star at Yale and won a Purple Heart as a Marine infantry officer in Okinawa. He served as director of the Kentucky State Police for eleven years in the 1950s and '60s; and in 1968 he went to work at Keeneland. He is probably one of the few people in the world whose office bookshelf displays pictures of himself with J. Edgar Hoover—a memento from his police days—and Queen Elizabeth, whom he hosted when she visited Keeneland in 1984.

As Keeneland's chairman, Bassett had been the driving force behind the track's opposition to slots. In 1995, when paranoia over potential competition from riverboat casinos was running rampant and the pro-slots movement was gaining momentum, Bassett appeared at a legislative hearing in Frankfort and, pronouncing himself a protector "of the traditions of racing," declared: "We are not going to cave in to the hypothetical threat of a mythical armada cruising down the Ohio from Ashland to Paducah...." The speech, everyone agrees, stopped the slots movement dead in its tracks.

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But in the intervening six years Bassett began to reconsider his position. One factor was Keeneland's 1999 purchase—in partnership with the casino company Harrah's and the lottery-services giant G-TECH—of Turfway Racetrack, which is just across the Ohio River from Cincinnati and faces direct competition from riverboat casinos. But more importantly, Bassett said, he and Keeneland began to study the slots issue more carefully. He led a Keeneland delegation to one of the riverboat casinos—"to observe," he noted—and was astounded by what he saw. "I was amazed at the investment. I was amazed at how they've transformed riverboats into floating gaming palaces. I was amazed at the quality of the food and the service and the creature comforts," Bassett said in a tone that still sounded slightly awed. "There are busloads of people that go to those boats: women's clubs, Rotary Clubs, civic clubs, groups of friends ... coming from four and five hours away." The armada, it turned out, was no myth.

Bassett, one of the most respected men in Kentucky horsedom, is now a strong proponent of slots and racinos. "There is competition for the leisure dollar," he said. "If our racing industry is going to not only survive but prosper and survive, we have to properly consider expanded gaming." Bassett has little patience for those who continue to hold the view he himself once held, dismissing them as "jaundiced moralists." But that's not to say that he is without regrets. "In the twilight of my career, with one foot in Alzheimer's-ville, I would like to see life in the racing world continue the way it has been for the last fifty years," Bassett said in the stone cottage on the 900 acres that, for the moment at least, still seemed frozen in time. "I feel very strongly about [horseracing's] past, present, and future. But it's the future I'm concerned about."

One vision of that future can be glimpsed in Kentucky's neighbor to the east, West Virginia, at the Mountaineer Racetrack. Sitting amidst the steel factories and power plants that line the Ohio River in the state's northern panhandle, Mountaineer has experienced a much-ballyhooed renaissance in recent years. Less than one decade ago the track was losing $12,000 per day and was on the brink of bankruptcy. But in 1994 West Virginia legalized video gaming at racetracks—and Mountaineer was saved. Reborn as a full-scale entertainment and gaming complex, Mountaineer Racetrack and Gaming Resort, as it's called these days, is now touted by *Fortune* as the forty-seventh fastest-growing company in the United States; *Forbes* recently ranked it seventh on its list of America's best small businesses. Last year Mountaineer earned $19 million on revenues of more than $200 million. All that money has enabled the racetrack to offer higher purses, which have risen from about $22,000 per day in 1994 to $160,000 per day at the beginning of this year. Indeed, Mountaineer's slots-fueled purses are now so enticing that many Kentucky horse owners are sending their low-level claiming horses to the West Virginia track instead of the closer-to-home Turfway Park, which once had a near-monopoly on Kentucky's lower-rung Thoroughbreds.

On a recent Friday night Mountaineer was bustling. The 140,000-square-foot "Speakeasy" casino was packed, as men and women—holding plastic buckets filled with tokens or wearing Velcro bracelets that attached, via pink cords, to game-credit cards—sat in front of slot machines with names like "Easy Street" and "Winning Touch" and "Money to Burn." Underneath a massive faux-Tiffany chandelier, people padded around the carpeted hall, sipping drinks and staring at posters for upcoming Mountaineer concerts by Englebert Humperdinck and Kenny Rogers. One flier touted an upcoming Mountaineer event called "Polkapalooza." Each ad bore Mountaineer's slogan: "We'll Leave the SLOTS on for YA!" The sound of the pinging machines was constant.

But on the other side of the Mountaineer complex, over at the racetrack, the crowd was sparse and things were quiet. The grandstand was mostly empty, the cavernous space containing only a few dozen people and the sound that came from a track television tuned not to the races but to the movie *Grease*. Down below, on the apron by the track, a couple hundred fans—most in jeans and T-shirts—lingered at picnic tables. They drank beer and scanned that night's race program, and every now and then, some of them would get up and head back inside to place their bets and get more beer.

After a little while, the public address system played a tinny recording of a trumpet and the horses were led out onto the track. Unlike the horses that run at Keeneland and Churchill Downs, the ones at Mountaineer won't ever contend for the Triple Crown: They are the also-rans—the horses that were never able to fulfill their owners' dreams. The third race that night was restricted to "maidens"—horses that have never won a race before. But even if the horses were maidens, they were still Thoroughbreds, and as their muscled, 1,200-pound bodies were loaded into the tight confines of the starting gate, it was easy to see how desperately they wanted to be released so they could run.

When the gates flew open, a dark-brown horse named Drummin Slew was the first one out. A five-year-old gelding who went off at 22 to one, Drummin Slew was a long shot in a field of long shots. But as the horses raced around the mile-long track, Drummin Slew built on his initial lead, so that by the time the field was heading into the homestretch, it looked like he had matters in hand. But then the race favorite, a black gelding named Randi's Song who started at two to one, made his move. Coming down the homestretch, Randi's Song gained on Drummin Slew until the two horses were practically neck and neck. Their jockeys' whips flying, the two horses galloped nearly in sync. Their eight hooves were suspended above the ground at almost exactly the same time, and when they came back to earth, there was a mighty thud and a thick cloud of dirt. Both horses strained for the finish line, fighting for a position that neither had ever known. And as they crossed the line, with Drummin Slew holding off Randi's Song to win by a neck, the moment was all at once happy and sad and almost, in a way, beautiful. But on the apron, the people in the sparse crowd just crumpled up their losing tickets and headed back inside for more beer, and it seemed clear that no one had even noticed. ■

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THE NEW REPUBLIC

Stanley Kauffmann on Films

Naipaul, Stoppard—and Winslet

AT LAST V. S. NAIPAUL has reached the screen, and, aptly enough, it is with his first novel. **The Mystic Masseur** (THINKFilm) was directed by Ismail Merchant, of the Merchant-Ivory pair, and the screenplay was done by Caryl Phillips with, as Phillips says, Merchant's guidance. The screenplay completely reverses the novel's ending (welcome to Filmland, Nobelist Naipaul), and this altered ending is put at the very beginning. Thus the whole film becomes a flashback that leads to the absence of one of Naipaul's main points. Further: the picture bumps into an unalterable formal difference between fiction and film.

In this earliest book, set amid the Indians of Trinidad who are his close concern, Naipaul tells the story of Ganesh Ramsumair, a young man who fails as a schoolteacher and sets out to write books. Most of his books are brochures on factual matters copied from other books, but, published by himself, they sell well. Ganesh, in the course of things, acquires some reputation as a therapeutic layer-on-of-hands, and does no worse at healing than most such. Also, after he marries, he goes into politics and finds a sort of success he had not foreseen. Naipaul's very last line is thoroughly germane to his book, but since the film transforms that line, the story is cheated of its ultimate social stab.

On the way to this reversal *The Mystic Masseur* moves in a generally faithful, yet somewhat pedestrian way. This picture is a clear instance of the superiority of a cast to a director. Aasif Mandvi, who plays Ganesh, and Om Puri (recently seen in *My Son the Fanatic*), who plays his father-in-law, are particularly solid, but Merchant burdens them with his weak sense of pace and focus and with his maladroit joining of one scene to another. Often we feel that a shot has been included because Merchant has just remembered, "Oh, yes, I must put in a bit of that."

But the root trouble is beyond Merchant's control. The dialogue sounds cute, almost as if the people were being patronized. Naipaul, a native of this place and community, fixes that dialect with a jeweler's precision, and Phillips has followed his style. For instance, when Ganesh loses his teaching job, there is this exchange:

> GANESH: Mr. Headmaster, I thought teaching was an art. If I want to learn survival technique I going join the army.
>
> HEADMASTER: You acting like you is a big man, Ramsumair. You lucky that we pull you out of the cane field and give you a chance to teach here in Port of Spain.

To hear this sort of speech all through the film is to feel that these people are being patted on the head for their quaint native ways. In the novel everything except the dialogue is expressed in fluent prose—the story is recounted by a Trinidadian who is an Oxford student and has long known Ganesh. When we read the book, the patois is set in a context of graceful narration, so we are continually reminded of the maturity and complexity of the patois-speakers; they are dignified (perverse though it sounds) because they are characters in a good novel. But the film is necessarily stripped of this context, and thus we feel as if we are observing the characters through the windows of a tour bus. Merchant might have amplified the few voice-overs by the novel's narrator, but the film still could not convey the experience of the novel. This problem certainly does not come up in adaptations of all novels, but when it occurs, it is insoluble.

Kate Winslet is being remarkable again. In the same year in which she played the young Iris Murdoch, she played a bespectacled frumpy government clerk in **Enigma** (Manhattan), a British thriller set during World War II. Her performance is all the more extraordinary because at the start her character is a secondary figure, merely the housemate of the knockout beauty whom the hero loves. The story moves the housemate into the vacancy created by the knockout's disappearance, and Winslet, simply with talent and imagination, grows and glows to fill the larger role. It verges on sacrilege to compare this competent entertainment with *L'Avventura*, but I couldn't help thinking of the way Monica Vitti "replaced" Lea Massari in that masterpiece.

Winslet, like everyone in the cast, is helped by the dialogue. I haven't read the Robert Harris novel that is the screenplay's base, but Tom Stoppard, who adapted it, has either found the Stoppardian lines in Harris or has supplied some. At one point Winslet takes off her glasses just as her beefy boss is passing her desk. He says, "Miss Wallace, without your glasses, I can see that you're not bad-looking." She replies, "Without my glasses, nor are you."

The chief setting is Bletchley Park, the country estate where, during the war, hundreds of people, including mathematical wizards, worked away at the decryption of German military codes. (As we know from his plays, Stoppard likes to gambol in scientific-philosophical territories. One of the mathematicians here says, "When an equation is beautiful, I know it's true.") After the war the world learned how much the Allies owed to the staff of Bletchley, but anyone who goes to this film expecting an account that is historically complete or even technically explicit is laying the wrong burdens on a thriller.

Under Michael Apted's adroit direction, *Enigma* dramatizes the differences of mind and personality entailed in this immensely important, immensely difficult work. Centrally the story is built on the way that human relationships—sexual, in this case—affect those immensities. This is hardly a new idea, in thrillers or anywhere, but it is handled here with enjoyable dispatch. As with most such stories, both the clarity and the credibility come in for a rough time toward the end; but this whoop-up is as much a convention of the genre as the final shoot-out in a western. The tension here is consistently high because, after a change in the German code, the British are hard-pressed to prevent the ambush of a huge Atlantic convoy by a flock of U-boats. Further, when Bletchley breaks the new code, the staff discover that the massacre of thousands of Polish officers in the Katyn Forest was committed not by their enemies the Germans, but by their allies the Soviets. And, of course, the truth must be suppressed for the sake of the war itself.

Apted is best known in this country for his documentaries about a group of English people seen at seven-year intervals, *Seven Up*, *Fourteen Up*, and so forth—an

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absolutely engrossing series—but he has also made fiction features of various kinds, including such thrillers as *Gorky Park* and one of the James Bondings, *The World Is Not Enough*. Apted's work here is swift and sometimes subtle: a scene between the hero and an intelligence agent is set in the hero's small bedroom with the two men physically abutted in a way that underscores the inquiry that is going on. Apted is aided considerably by the editor, Rick Shaine, who keeps the story's flow into different time planes clear and inviting.

The hero is played by the Scottish actor Dougray Scott, who has a kind of alluring sullenness, and the agent is kept well up to the British smooth-detective mark by Jeremy Northam (of *The Winslow Boy* and *An Ideal Husband*). The knockout blonde is Saffron Burrows, who in 1999 was more than acceptable in the title role of *Miss Julie*. Here, in a not quite equivalent role, she is at least allowed to be vivid.

But beyond both the virtues and the conventions of *Enigma* is the pleasure of watching Winslet grow in her art. ■

Robert Brustein on Theater

A Homeboy Godot

I WAS ON the committee that gave this year's Pulitzer Prize for Drama to Suzan-Lori Parks for **Topdog/Underdog**. This play was not my first choice for the award. It is far from Parks's most ambitious writing. But, as an admirer of her previous work, I was content to endorse the decision of the majority. Prizes often go to the lesser achievements of good playwrights whose better stuff had been previously ignored.

Visiting the production a few weeks later, I was glad that I had read the script first. Watching it cold might have made me register a dissent. It's not that George C. Wolfe's production—a transfer from the Public Theater downtown to the Ambassador Theater on Broadway—is lacking in power or imagination. It has a lot of both, plus a syncopated dissonant rhythm that makes it sound like the theatrical equivalent of the modern jazz that Wolfe uses for scene transitions. What the evening often lacks is comprehensibility.

One of the two actors, Jeffrey Wright, gives a truly brilliant performance—subtle, focused, deep, truthful. His vis-à-vis, the hip-hop artist Mos Def, I found to be virtually unintelligible. This might be just my problem (I also find hip-hop virtually unintelligible). Certainly the largely black audience seemed to have no trouble understanding him, and laughed uproariously every time he opened his mouth. But aside from his unmodulated acting and shuffling movement, Def's voice remained stuck at a single (loud) decibel level, and I was seated too far to the side of the auditorium to read his lips. For me Def lacked an essential quality of a stage actor, the capacity to measure the acoustical volume and pitch of a house; and so trying to follow the development of his character or even the action of the play was often a very frustrating task.

This frustration drove me back to the text, regretting that I had not seen the estimable Don Cheadle originate the part downtown. I was glad to find the play perfectly coherent, with the author's diction displaying the perfect pitch that the actor's diction lacked. The story of two brothers whose parents mischievously and inexplicably named them Lincoln and Booth, *Topdog/Underdog* extends the ambiguous fascination with the Great Emancipator that Parks first displayed in *The America Play* in 1993. Lincoln, who began his mature life shaking money from suckers in a three-card monte scam, has given up the hustler's life to take a job at a boardwalk arcade. There he plays his namesake in earnest, wearing a top hat and a false beard while patrons take turns assassinating him with a popgun. He does this act in whiteface, thus reversing the conventions of the minstrel show ("I'm a brother playing Lincoln—that's a stretch for anyone's imagination"), and also underlining the African American ambivalence toward the man who both freed the slaves and, in the minds of some, patronized them.

His brother Booth, on the other hand, who shares a dingy one-room apartment with Lincoln, has never done a legitimate day's work in his life. He is a petty thief whose great dream is to learn the techniques that Lincoln perfected during his career as a cardsharp (a career to which Lincoln seems destined to return, since his employers are preparing to replace him with a dummy). Much of Parks's essentially actionless play—perhaps too much—is taken up with demonstrations of this skin game, as Lincoln flips the cards around the table, daring his brother to identify the two of spades, in a display that is at the same time pedagogical and provocative.

Shards of the plot are revealed in the interstices of the card displays. That the parents of these two men were unfaithful to each other and did not care much for their children either. That both brothers have been rejected by their women—Lincoln by his wife Cookie, Booth by his girlfriend Grace, who, in a poignant scene, fails to show up for a dinner that he has prepared for her. That Cookie cuckolded Lincoln with Booth, recapitulating a childhood crisis during which Booth watched his mother betray his father with her "Thursday man." And that—the ultimate revelation—Booth "popped" Grace with the automatic he always keeps by his side.

That weapon yet again proves Chekhov's rule that if a gun is displayed on stage in the first act it is bound to go off in the last. In the final scene, after Booth has bet all the money his mother left him ($500 wrapped in a silk stocking) to prove that he can beat Lincoln at his own game, and after Lincoln has relieved him of his entire inheritance, Booth pops his brother, too, in a climax that does not seem sufficiently prepared for or realistically motivated. On a metaphorical level, of course, the murder re-enacts the fratricidal drama of Cain and Abel, as well as the shooting of Abraham Lincoln by John Wilkes Booth, an event Stephen Sondheim also chose to bring to New York audiences, in musicalized form, with *Assassins*.

Parks has written this play in the style of black vaudeville, the homeboy equivalent of *Waiting for Godot*. Like her previous work, it is a non-didactic theatricalization of the African American condition. Parks is highly conversant with the twentieth-century avant-garde literature syllabus—especially Joyce, Gertrude Stein, and Beckett—and she has never been afraid to use an experimental telescope to examine racial issues. In *The Death of the Last Black Man in the Whole Entire World*, *The America Play*, and *Venus*, these investigations were performed in a highly charged

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imagistic language that kept the poetic content higher than the sociological substance. In Parks's last play, *In the Blood*, a modern version of *The Scarlet Letter* about a homeless woman involved with a black cleric, her writing began to get more accessible, if less universal and reverberant, through the use of increasingly naturalistic language and domestic themes. *Topdog/Underdog*, which the playwright describes as being "about family wounds and healing," continues in this line. Instead of breaking out into fresh territory, Parks seems content to settle for a comfortable, if seedily furnished, room in town.

Jeffrey Wright fully inhabits this room in a performance as strong as anything on the stage at present. An alcoholic whose bourbon bottle seems an extension of his right arm, Wright stumbles and shambles around the stage like a wounded lion, pissing into a cup, then drinking the contents. Looking a little like the young James Earl Jones, Wright has remarkable range. (He played the gay hospital attendant Belize in *Angels in America*.) He creates the play's most engrossing moment at the end of the second scene: soaked with whiskey, he drunkenly dons his Lincoln costume, then falls into a recliner, solemn and silent, his face twisting in pain; he then begins laughing uproariously before shouting "Bang!" and falling down dead. He repeats this moment once more, wiping away tears. His miming is denser than any writing in the play.

Fortune's Fool (Music Box) is Mike Poulton's adaptation of a Turgenev play, in a production directed by Arthur Penn and starring Alan Bates and Frank Langella. When the curtain opens on John Arnone's set, with its birch trees and credenzas and Russian servants bustling around in Jane Greenwood's period costumes, you settle in for a conventional evening of Slavic atmospherics. Everyone is awaiting the return of the young lady of the house, Olga Petrovna, after a long absence from her country estate. When she arrives, saying, "Dear enchanted old house—my magical home—after nine years," you might feel you are watching an early draft of *The Cherry Orchard*.

Actually, Chekhov borrowed a lot from Turgenev (especially the convention of the interrupted love scene, which he transferred intact from *A Month in the Country* to *Uncle Vanya*). But one of the things these two playwrights had most in common was a powerful humanity. An odd, almost forgotten strain of warmth and compassion permeates the evening like a sachet drenched in scent. And it is perfectly realized through the delicate precision of Penn's direction and the acting genius of Bates.

Fortune's Fool revolves around a gentleman in disrepair named Vassily Semyonitch Kuzovkin (Bates), who has been living off the estate for twenty-five or thirty years. Olga is newly married now, and it is unlikely that her officious husband will allow the indigent Vassily to stay. When the fatuous and foppish neighbor Tropatchov (powerfully played with merciless cruelty by Langella) arrives for lunch, he plies Vassily with alcohol and encourages him to tell the other guests a long-winded story about his efforts to recover his own estate, a court case as endless as Jarndyce versus Jarndyce in *Bleak House*. Goaded by Tropatchov, Vassily's legal narrative becomes more and more incoherent after each glass of wine or champagne. Finally, the deeply humiliated Vassily, staggering around the table and crumpling into a chair, blurts out that he is the real father of Olga Petrovna.

How the story of Vassily's love affair with Olga's abandoned mother works itself out in the second part, with Vassily trying to deny what he said, Olga's husband trying to bribe him into silence, Olga trying to determine the truth about her parentage, and Tropatchov trying to eavesdrop on each encounter, is what keeps the play so delicately poised on the threshold of humaneness. The dramaturgy turns creaky at times, with occasional lapses into Victorian melodrama ("You can't buy me," shouts Vassily, "I am not made of saleable stuff") and Dickensian sentimentality ("I must ask you to forget me completely"), especially toward the end, when father and daughter embrace just before Vassily, forced to accept a bribe in order to protect his daughter's honor, leaves her forever. But Bates, looking like Ulysses S. Grant in a huge black beard and secondhand frock coat, is so affecting as Vassily that I wept shamelessly when he dropped his daughter's hand and departed. I left the theater wondering whatever happened to plays written with narrative and heart. ■

Jed Perl on Art

Tapestried Realms

I NEVER DREAMED that an exhibition of old textiles could be a revelatory experience, but there is no other way to describe **Tapestry in the Renaissance: Art and Magnificence**, which is at the Metropolitan Museum of Art through June 19. The show is immense, with many individual works that are twenty or more feet wide, so that from the very start we are enveloped by the richness of woven images. The colored yarns and the silver and gold threads, worked into patterns of staggering complexity, have a truly sculptural density and power. There is so much to take in: faces of a dazzling caricatural complexity, softly poetic landscapes, crazily labyrinthine narratives, a rip-roaring feeling for the abstract power of overall design. Initially, I felt almost baffled, unsure as to how to make sense of all that I was seeing. Only later did I begin to suspect that it is in the very nature of these tapestried realms to confound our desire to master a visual world.

The tapestry is a curtain that veils reality even as it becomes a reality. No wonder that these wall hangings were among the essential furnishings of the Renaissance courts at the zenith of their power. The vast exhibition rooms at the Met are scaled to such gargantuan compositions, so that we are pulled into the almost barbaric luxuriance of a Renaissance palace. In this paradoxically theatrical art, the curtain is always down and the drama is always at its climax. The tapestry, like courtly life itself, is a glittering public display that contains a near-infinity of refinements. These woven pictures are triumphs of the decorative imagination: the designers and the weavers know how to intensify their fabulously ornamental surfaces, to pack them with a storybook intricacy, with naturalistic renderings, with emotional coloration, with fantastical caprice, until epic and lyric impulses are as intermingled as warp and woof. An art historian remarked to me: "This show isn't once in a lifetime, it's once in three lifetimes." I could not agree more.

Among the earlier works on display is one of the group of Unicorn tapestries, produced in the Netherlands around 1500, that are a treasure of the Cloisters, the Met's uptown annex dedicated to medieval art. There is something almost sly about the decision of Thomas P. Campbell, the curator at the Metropolitan who organized this thrilling exhibition, to offer *The Unicorn Defends Itself* as a sort of opener. I think that he means to tell

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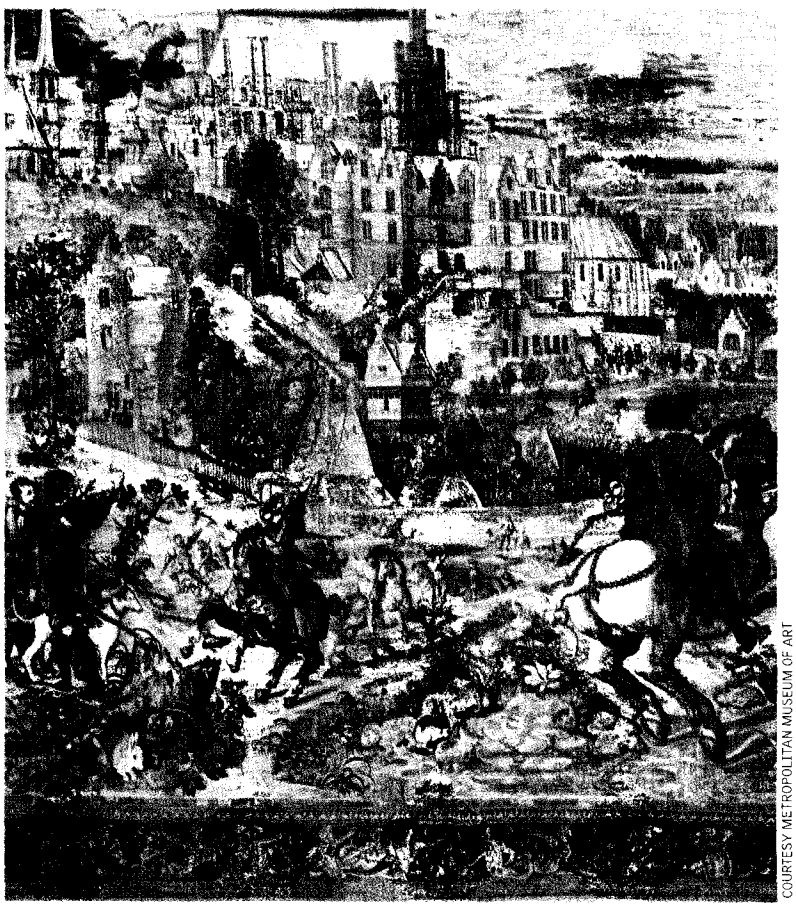
New Yorkers—for whom the Unicorn cycle, with its virtually Oriental sense of patterning, has always stood as a pinnacle of the tapestry-maker's art—that what they may quite understandably have imagined as a climactic moment in a medium can also, simultaneously, be regarded as a brilliant beginning. And what a story Campbell has to tell! By the time I reached the end of this exhibition, where we find ourselves in the Florence of the Mannerists, and Bronzino and Salviati are interlocking figures to achieve a silken elegance, my every preconception about Renaissance tapestry had been turned inside out.

In the half-century between the Unicorn tapestry and Bronzino's *Justice Liberating Innocence*, the exhibition ranges from Italy to the Netherlands and back, and takes in subjects from courtly life, from the New Testament, from classical mythology. If I were to name a single key achievement of Campbell's show, it is the emergence of Bernaert van Orley as one of the greatest artists of the sixteenth century. He was a Netherlandish artist whose designs for a whole variety of tapestry cycles kept the weavers of Brussels busy for much of the 1520s and 1530s. I have heard historians who know the field quite well confess that they now feel that they had always underestimated van Orley. His work is mesmerizing, even after a room devoted to nothing less than Raphael's seminal *Acts of the Apostles* tapestries, designed for the Sistine Chapel.



COURTESY METROPOLITAN MUSEUM OF ART

Detail of Bernaert van Orley, *Departure for the Hunt*, c. 1531-1533

But it is not only tapestry-designers such as van Orley and Raphael who hold our attention in this show. We must mention, really in the same breath, the weavers who labored in the Netherlandish workshops of Pieter van Aelst, Willem and Jan van Dermoyen, and Pieter de Pannemaker. They are very much among the heroes here, for tapestry is a reproductive art, and it is the artisans, working in a centuries-old tradition of collaboration with designers, who transformed drawn and painted models into luxuriant surfaces. Especially in the cycle of aristocratic hunting scenes, designed by van Orley and probably woven in the Dermoyen shop after 1530, there is a rhythmic subtlety and elasticity to the tiniest details of foliage or animal fur that establishes these Netherlandish tapestry-weavers as among the outstanding form-givers of their age.

"Tapestry in the Renaissance" is a tidal-force visual onslaught, and it is also an intellectual provocation that overturns assumptions that may have been lodged so deep in our thinking that we never fully acknowledged their impact. While most of us would claim to have long ago outgrown the William Morris–style belief that tapestry is by its very nature a medieval art of surface effects, the absolute conviction with which the designers and the weavers of the Renaissance demonstrated that fully modeled volumes and atmospheric perspective could be at home in these woven images still has the power to leave a museumgoer open-mouthed in amazement. The implications go way beyond the formal question of whether the decorative impulse, which exults in the very abstractness of a two-dimensional surface, can assimilate perspectival depth. What is exploded by this show is the conflict that many of us assumed existed between, on the one hand, the airy perspective box of Renaissance space as a symbol of human freedom and, on the other hand, the hieratic planarity of the tapestried world, with its suggestions of a more strictly ordered realm.

True, the very wovenness of a tapestry implies an underlying geometry and thus an ordering principle. But the artisans who actually created these images confounded whatever limitations might be imposed by the regular rhythm of the weave by working their colored yarns with a playfulness that evokes comparisons with the atmospheric effects of Venetian painting. There is a breakaway boldness, even a declaration of independence, to their renderings of faces and plant life. The abstractness of tapestry is simultaneously confirmed and confounded. The result is images that seem to embrace two visions at once, the feudal worldview of the Middle Ages and the incipiently democratic worldview of early modern Europe. It is no wonder that there are so many galleries in "Tapestry in the Renaissance" where a museumgoer has to slow down and take a deep breath.

This exhibition can leave a museumgoer with bafflingly conflicting thoughts about the rise and fall of a medium. Going through the show, I felt overwhelmed by the realization of what tapestry once was and is no more—by the realization that tapestry, on which the wealthiest princes in Europe spent vast sums, and which engaged the talents of Raphael and a host of other major artists, could have become, several centuries later, so utterly marginal a form. Things do change dramatically in art; and a peerless artistic medium can sometimes fade from view.

But tapestry never actually died. The Baroque and rococo tapestry can be a splendid thing; and even in the twentieth century there were some serious efforts by Picasso, Matisse, Braque, and Dufy to reframe tapestry in a modern context. One of the underlying themes of "Tapestry in the Renaissance" might be described as follows: although this medium that was so central is now so marginal, the concerns that animated the designers and the craftsmen who realized these awesome images—concerns with surface and depth, with unity and multiplicity, with narrative and color and fantasy and truth—are still

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with us today. They are recapitulated or further developed in a range of other media. And this story of the rise and the fall of an art form, with all the questions that it raises about what is essential or constant in art, turns out to have a scintillating urgency. Artists and audiences have never been more preoccupied than they are today with changing media, and with how such transformations affect the high art traditions.

THE BASIC FACTS of tapestry are anything but complicated. The warp, a single row of yarns like the strings of a harp, is set on a frame, either vertically (high warp) or horizontally (low warp). Then colored yarns (the weft) are woven into the warp at right angles, packed tight so that the warp is not seen. The weft yarns do not run the length of the tapestry. A single weft "row" may contain any number of colors, which are introduced as they are needed, and are dovetailed or looped together or otherwise joined with other weft yarns to create variations in color both large and small. The coloristic complexity of tapestry is achieved without mixed color or overlays of translucent color, as would be the case in painting. And it is fascinating what coloristic variety and even opulence can be achieved through the constant conjunction of bits of full-strength color, which in the sixteenth century were used to create effects of light and dark and modeled form that we think of as being based on the very denial of the purity of color. You might say that an atmosphere of pure color is used to suggest the experience of mixed color. It is this paradox, I think, that gives these tapestries their quality of mobility, of constantly shifting forms. The surfaces of the best of these weavings achieve a breath-of-life exhilaration.

What really startles us is the extent to which every last element in these tapestries is something invented, summoned up by the hand of the weaver. This is true even in a work such as the vast *Death of Troilus, Achilles, and Paris*, from a Trojan War set woven in the Netherlands in the last quarter of the fifteenth century. This piece is not, to put it mildly, a triumph of figure composition or abstract design. And yet almost anywhere you happen to look in this vast crowded work, you find a head or a hand or a bit of armor rendered with heart-stopping fullness and succinctness. You might expect the obsessive high-representational detail in all the parts to work against a gathering unity in the whole, and that is surely the case in the Trojan War series. I am amazed, though, by how often the parts make a whole—for example, in a *Lamentation* partly derived from a composition by Perugino, probably woven in Brussels around 1510, in which each magnificently rendered head takes its proper place in a larger compositional drama.

The lucid Italianate design of this *Lamentation* surely gave the Netherlandish weavers an organizing principle. But the idea that particularity must be connected to unity, which is a fundamental faith of the pictorial arts, is also sunk into the very essence of the tapestry technique. The red of the patterned garment, the flowered border, the drop of blood: they may be perfectly individuated, but they are also absolutely united, for each one is a bit of red yarn, woven horizontally across a vertical warp. There is a kind of philosophical beauty to the very act of creating a tapestry. Every distinction that you make is immediately—literally—woven into the overall design.

THIS EXHIBITION opens in the second half of the fifteenth century, when the story of tapestry is already several centuries old. What this means in practical terms is that in the Netherlands there was a long collaborative tradition between designers and weavers; and although the question of who designed and executed what often remains murky, there are points in this show where I had the feeling that the weavers were finishing the thoughts of the designers in much the sense that those master printmakers the Crommelynck brothers were active participants with Picasso when he was pushing intaglio techniques beyond their limits in *Suite 347*. Given a challenge, the weavers could solve it. In the early sixteenth century, for example, when Raphael turned his immense formal genius, a genius nourished in an Italian tradition remote from the tapestry workshops of the Netherlands, to his designs for the Sistine Chapel tapestries, which were probably realized by the van Aelst workshop in Brussels, the weavers elected to tone down the contrapuntal power of their yarns, thereby giving the surfaces a melting-together effect that matched Raphael's deep space and sculptural form.

Raphael, in collaboration with assistants such as Giulio Romano, gave the tapestry an airy openness of design, a sense of figures in action, moving across and through and into space as they never had before. But I think that the influence was also going in the other direction. You see Raphael responding to the planar power of tapestry as he re-imagines his own sense of figure composition in terms of larger, relatively static groups of figures in *The Charge to Peter*, where he creates strong surface patterns, thereby reconciling the naturalism of the High Renaissance with the inherently hieratic sense of tapestry space. The way that the reflections in the water in *The Miraculous Draft of Fishes* create repetitions and echoes takes us back to the arabesque movements of medieval tapestries, to the linear elaborations of *The Unicorn Defends Itself*.

Raphael designing a tapestry is a little like Beethoven composing an opera. The result is a masterpiece, but a strange masterpiece, something sui generis, a work that does not take its natural place in the evolution of an art form so much as it suggests other evolutionary possibilities, which it is then left to later artists to reconcile. Bernaert van Orley, who knew the *Acts of the Apostles* when they were being woven in Brussels, unites Raphael's interest in deep space and the muscular animation of the figures with the tapestry tradition, but it is the particularly Netherlandish genius of van Orley to make us believe, as Raphael could not, that this plunging spatial vision was an essential although heretofore undiscovered aspect of the medium itself. Van Orley, a painter who came from a family of artists and had a large shop in Brussels and died in 1541, seems to have turned his main energies to tapestry by 1520 or so, including the cycles devoted to the Passion, to the French defeat at the Battle of Pavia in 1525, and to the aristocratic passion for the hunt, all of which are represented in "Tapestry in the Renaissance."

I presume that van Orley, who knew Dürer and made a close study of Raphael's work, enjoyed the kind of heightened self-consciousness about the possibilities of the artist's vocation that characterized the great painters and sculptors of his age. At the same time, though, he seems never to have lost the sense that his instincts as a designer must be informed by an artisan's awareness of the possibilities of the medium in its minutest details. Although van Orley probably never wove a single inch of anything, he was part of a design tradition that for centuries had operated on intimate terms with an artisanal tradition. In the *Passion*, especially the scenes of *Christ Carrying the Cross* and *The Crucifixion*, I find that the extraordinary animation of the figures—their facial expressions, their gesturing hands and turning torsos—is generated by the very wovenness of the tapestry. While designer and craftsman were not necessarily talking to each other about specific problems, there can be no question that they were engaged in a deeply collaborative effort. It is the way in which the yarns are worked—dovetailed, say, to create jagged interactions of adjacent colors—that gives each element, whether it is a face or a bit of foliage, an aliveness that echoes through every inch of these eleven-foot-high

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square tapestries. And when the weavers render elaborately patterned materials draped on figures we have a doubling of illusions: fabric mimicking fabric.

THE *PASSION*, A four-part set that is exhibited complete at the Metropolitan, is the first example of van Orley's mature achievement that a museumgoer encounters here, and these works have an emotional exactitude that brings Dürer to mind. I thought of Bruegel in the next gallery, where van Orley's *Hunts of Maximilian* cycle gives panoramic vistas a dazzling specificity. (The set was commissioned by the Hapsburg court in Brussels.) Tapestry is a perfect medium to express a northerner's sense of the glorious opulence of God's creation. In the twenty-four-and-a-half-foot-wide *Departure for the Hunt*, van Orley is attuned to a viewer's hunger for all the beauties of the world, so we see not only the elegantly turned-out hunters and the animals and the forest but also the splendid city of Brussels, with its magnificent stone buildings and its general air of elegant prosperity. As in Bruegel, the framed moment of Renaissance art embraces such a panoramic sweep of space that the moment allows for a certain amount of temporal elasticity. The very time that it took to weave the tapestry registers as a kind of memory trace, as if the gradual progress of the weavers across the warp of threads were recapitulated by the progress of our eyes across this extravagantly detailed universe.

In the *Passion*, van Orley demonstrates a tremendous capacity for representing high-pitched and even overwhelming emotional states, and for articulating the different ways in which the awful events are experienced by a variety of people. In the *Hunts of Maximilian*, he suggests a genuinely novelistic curiosity; each hunter or valet is an individual, with his own personality and spirit. And the very nature of a tapestry, the very participatory character of its creation, underscores this sense of individuation. The labor of the individual artisan, although absorbed into the whole, is not entirely subsumed, for as we move closer to these tapestries, our consciousness of, say, how red and brown and blue threads are marshaled to render the thick coat of an animal brings us close to the thinking of the weavers. At that point we are not so much conscious of van Orley as a creator as we are of the men who worked the looms in the Dermoyen shop. And yet there is also a fascinating aura of disinterestedness about these encyclopedic works, a sense that all the local and individual emotions have a part to play in some great movement of feeling and experience, a movement that is larger than the individual, that is related to God's plan. A sense of freedom suffuses van Orley's work, but it is only a measure of freedom: it is freedom held in check by some grand design.

Van Orley's *Hunts of Maximilian* cycle may be one of the last great expressions of a chivalric worldview. It is also one of the last works in which the medieval idea of the work of art as uniting the efforts of numerous anonymous craftsmen in the service of an idea that is larger than any of them achieves a grandeur with distant echoes of such communal avowals as the stained glass at Chartres or the carvings at Autun. A century after van Orley worked with the tapestry shops of Brussels, Rubens, in the vast Marie de' Medici cycle, would be painting on a scale (and with royal subjects) not entirely unlike what we see in these tapestries. Yet no matter how many members of Rubens's workshop were involved in that truly staggering project, the stamp of the artist as an individual was upon the work in a way that it is not with van Orley's art a century earlier. The divine right of kings—or, for that matter, the Crucifixion—is a subject that Rubens enters into with the fullness of his genius, and what holds our attention is as much his belief in the subject as the subject itself.

The *Hunts of Maximilian* tapestries come at roughly the midpoint of this amazing show, and their galvanic impact is such that a museumgoer may find it

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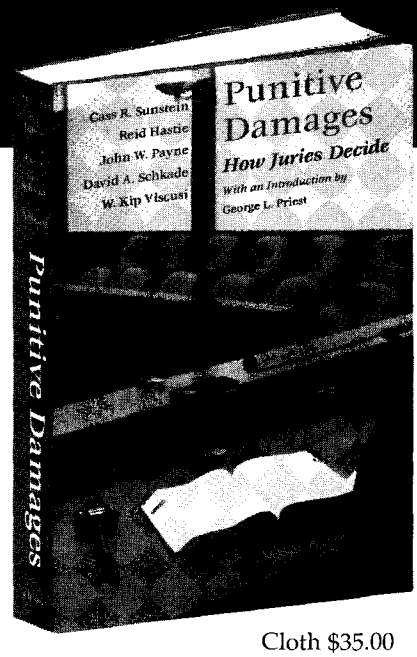

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difficult to focus on some of what comes after. Not all the material is up to the same level. In his *Triumphal Chariot of Scipio*, Giulio Romano seems to fall into his usual problem of compositional overdrive, as he turns out what amounts to fantastic wall-covering and nothing more. *Saint Michael Overcoming Satan*, from a set of eight tapestries on the theme of the Apocalypse that was produced by the Dermoyen shop in the 1550s, evinces that workshop's peerless technique, and some of the monsters are hilariously melodramatic, like ancestors of Maurice Sendak's wild things; but as a work of art it is jerky and overcrowded. A rare group of tapestries that comprise a backdrop and a canopy for a throne, woven in Brussels around 1561, is a fascinating survival, suggesting how tapestry was incorporated into the very architecture of courtly life, but artistically it is not terribly interesting.

Toward the end of the exhibition, though, there is a whole new kind of excitement, as the linear stylizations of the Mannerists begin to compress the very space that van Orley had opened up. Here we find artists turning tapestry surfaces into decorative topologies that in certain respects recapitulate the sense of weaving-as-gardening that gave the Unicorn tapestry, near the beginning of the show, its sense of blossoming forms. From France comes Jean Cousin's crisp yet fluid *Saint Mamas at the Tribunal of the Governor of Cappadocia*, and from Italy Giulio Romano's voluptuous *Barque of Venus-Fortuna*, Salviati's tautly emotional *Lamentation*, and Bronzino's *Justice Liberating Innocence*. With this *Justice Liberating Innocence*, tapestry is re-imagined on the reduced scale of easel painting, and you have the sense of a grandly public tradition becoming an interestingly personal matter. You feel that the pomp and circumstance of tapestry is being re-invented as a meditation on itself—as a kind of abstraction. The elongated proportions and shallow space of Mannerist painting, which in any event have a northern Gothicizing undercurrent, find a wonderfully apt expression in Bronzino's puzzlelike allegorical weaving. The figures in this elegant work, with its black border and smoothly modeled forms, are arranged like exotic specimens in a hothouse bouquet.

To see "Tapestry in the Renaissance" after a lifetime of looking at Renaissance tapestries in the period rooms of museums and the out-of-the-way corners of palaces and cathedrals is a bit like seeing the full version of Abel Gance's *Napoleon* or D.W. Griffith's *Intolerance* on a large screen after knowing silent movies from clips on television. We are coming upon an entire artistic region with which we were unfamiliar. This great exhibition is also the tip of an iceberg, for what we are seeing is in fact a small fraction of what originally existed. Tapestries often came to be regarded as little more than space fillers in the centuries after they were produced, and they faded badly, or simply fell apart as gravity tugged at their woven strands. Much of the British royal collections had turned into tattered rags by the nineteenth century and eventually had to be removed from palace walls. In France, after the Revolution, huge numbers of tapestries were melted down for their gold and silver threads. (Van Orley's *Hunts of Maximilian* is counted as a miraculous survival.)

And even when sets do survive, their very size means that they are difficult to show to advantage. Many of the works at the Metropolitan, although of staggering proportions, represent only a fragment of a cycle or series. There are twelve parts to van Orley's *Hunts of Maximilian*, one for each month of the year. *A Dragon Fighting With a Panther*, some eleven feet square, from a cycle designed in the circle of Pieter Coecke van Aelst around 1550, struck me as virtuosic and not much more, but when I realized that it is one of a set of forty-four tapestries of animals in wooded landscapes acquired by Sigismund II Augustus, king of Poland and Lithuania, for his castle in Kraków, my mind began to reel. We are talking about something like five hundred running feet of tapestry!

Certain cycles exist in multiple editions; Raphael's *Acts of the Apostles* was produced about half a dozen times over a period of fifty years, and the opportunity to compare different weavings of the same design would be interesting. This exhibition also leaves one hungering to see certain sets or groups of sets in their entirety. Giulio Romano's *Barque of Venus-Fortuna*, with its mob of putti overrunning a boat stuck beneath an elaborate trellis on which more putti cavort, provides only a glimpse of what are in fact several cycles of tapestries on this theme produced for the Gonzaga family in the mid-sixteenth century. For anybody who has felt the pull of Titian's late *Worship of Venus*, another pleasure garden packed with cupids, it would be a huge treat to see in their entirety these putti-run-amok tapestries, in which elaborate gardens are turned into playpens, and the little cuties become pawns enacting philosophical or moral dramas, the exact meanings of which the historians do not seem entirely sure. No matter. These hilarious aristocratic decorations suggest iconographic bedlam, as if erotic allegory had become a form of slapstick comedy.

"Tapestry in the Renaissance" and its excellent catalog, for which Thomas P. Campbell has enlisted the contributions of some dozen historians, unlocks a world. The scholarly and curatorial effort is international in scope. But the show, which will not travel, also reflects the Metropolitan Museum of Art's long-running commitment to tapestry. The great Unicorn cycle was acquired in 1937–1938. A quarter of a century ago, in 1974, the museum mounted an exhibition of medieval tapestries to which the present exhibition is in a sense a long-awaited sequel. In 1993, the Metropolitan published a magnificent catalog of its own medieval tapestry holdings, by Adolfo Salvatore Cavallo. Maryan W. Ainsworth, a curator at the Met who organized the unforgettable "From Van Eyck to Bruegel" show with Keith Christiansen in 1998 and has contributed to the present catalog, wrote her doctoral dissertation on van Orley as a tapestry artist.

For scholars of Renaissance art, this exhibition is a dream come true. For museumgoers, it is the fulfillment of a dream that many of us never even knew that we had. What everybody needs to remember is that none of this could have happened

Strange Things

—after Góngora

I have seen, my Celalba, strange things:
  split clouds, broken-mouthed winds,
high towers kissing their own foundations,
  and the earth expelling its guts;

bridges bending like tensile stems;
  prodigious streams, violent rivers,
bad crossings through great currents
  and worse bridlings in the mountains;

days like Noah's, fine people
  in the highest-rising pine trees,
in the greatest, most robust beech trees—

shepherds, dogs, cabins, and cattle,
  over the waters I saw them, formless, lifeless,
and nothing more than my own cares troubled me.

Don Share

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without the extraordinary logistical and financial backing of a great museum, and here we have to emphasize gratefully the role of Philippe de Montebello, the Metropolitan's director. There is surely no other major museum director in New York, and there may well not be a single other one in the entire world, who has the confidence of taste and the clout with the money people to bring off a project such as this one, which is both spectacular and arcane. "Tapestry in the Renaissance" is one of the rare occasions when we see what a great public institution with a visionary director can accomplish.

Of course museumgoers may initially feel a bit overwhelmed by how much they do not know. They may be uncertain as to how to respond to this show in which artists are putting what museumgoers generally regard as a decorative art under the kinds of imaginative and conceptual pressure that the public is inclined to expect from painting but not from much else. Once visitors get their bearings, though, they will find that although the medium is unfamiliar, the fundamental issues that exercised the designers and the weavers—issues of unity and particularity, of surface and depth, of design and realization—are by no means unfamiliar. This needs to be emphasized, because the museumgoer who visits "Tapestry in the Renaissance" is often the very same person who, a week before or a week later, is going to visit the exhibitions of contemporary art where unfamiliar media are all too often presented with the implicit assumption that the old pictorial issues are no longer relevant. "Tapestry in the Renaissance" is an exhibition in which painting is sidelined, but the concerns of pictorial art remain central. There are no paintings here, but the challenges of painting are everywhere.

This leads to an interesting thought. The basic problem that so many curators and critics and museumgoers have when they approach contemporary art is not that their interests shift to what they regard as alternative media, but that they no longer expect the work that they are seeing in place of painting to be alive to the essential concerns—that is, to the traditions—of pictorial art. At about the time that "Tapestry in the Renaissance" opened at the Metropolitan, the 2002 Biennial opened at the Whitney Museum of American Art. This exhibition was greeted with almost universally negative reviews, even from critics who have been enthusiastic about a good deal of recent video and installation art. I would certainly not disagree with those assessments, though I was very happy to see *Winchester*, a new DVD projection by Jeremy Blake in which a Northern California cult tourist attraction, the sprawling Victorian mansion of the eccentric widow of the Winchester rifle fortune, becomes the occasion for the latest of Blake's perpetually morphing fairy-tale realms. But one work cannot justify a show that fills most of the Whitney and includes a few contributions sprinkled through Central Park.

Running through all the Biennial postmortems, many of which had the air of having been written before the last of the electronic gadgets had been plugged in on Madison Avenue, is a sort of befuddlement at how so many artists who are frantic to hold our attention could leave so many visitors nonplussed. The Biennial is a nightmare of visual overstimulation, and this is because the artists involved do not understand the fascinations of seeing, the possibilities of structuring sight—all of which were well understood long ago and far away by, say, the anonymous artisans who labored in the Dermoyen workshop on the vast expanses of van Orley's *Hunts of Maximilian*. The Dermoyen weavers were no more painters than the majority of these Biennial artists. But painting, dead or alive, has never been quite the central issue in art. The issue, whether the medium is tapestry or video tape or oil paint or stained glass, is the ordering of sight and all that such a discipline can imply. It is a testament to the mysterious complexities of tradition that the most important museum show in New York today is an alternative media show, and that the alternative medium in question happens to have had its heyday nearly half a millennium ago. ■

Axis of Evil: Iraq vs. Syria

In President Bush's State of the Union address, Iraq made the cut for the "Axis of Evil." Syria didn't. Both are Ba'thist dictatorships, both are developing weapons of mass destruction, and both harbor terrorists. But Iraq and Syria, once radical twins, are now regarded as apples and oranges. Is the distinction warranted? Read a detailed comparison in the current *Middle East Quarterly*— and judge for yourself.

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The myth of the New Economy.

The Age of Inflation

By ROBERT J. SAMUELSON

I.

PERHAPS THE BASIC fact about the American economy is that it is always changing. It was not the same in 1830, after the expansion of New England's textile mills, as in 1790, when there were no mills. It was not the same in 1870, after the construction of fifty-three thousand miles of railroad track, as in 1830, when there was almost no track. It was not the same in 1930, after the manufacture of more than thirty million cars, as in 1890, when there were no cars. The obvious point is that the economy is constantly re-creating itself, so the idea of calling it "new" is absurd. It is always "new," if "new" means different from the past.

No matter. We cannot resist. By and large, Americans believe that everything from cereal to sex should be "new and improved," so why not the economy? Three times in the past century, the American economy operated so spectacularly that people deemed it "new." In the 1920s, we had the "new era" of prosperity that would eliminate booms and busts. That led to the Great Depression and four post–World War II recessions. By the 1960s, we had graduated to the "new economics," which promised to maintain "full employment" (initially defined as 4 percent unemployment) without recessions or crippling inflation. Its legacies were double-digit inflation and the nastiest recessions since World War II, in 1973–1975 and 1981–1982. But memories are short. If they weren't, no one would have seized upon the term "New Economy" to describe the 1990s.

As before, the label signified a brighter future. What made the New Economy believable is that, by the numbers alone, the 1990s outperformed almost everyone's expectations. In 1997, unemployment declined below 5 percent—a level that most economists then thought would trigger rising inflation. But the jobless rates kept dropping, reaching a low of 3.9 percent in April 2000, while inflation remained tame. The Consumer Price Index rose 2.9 percent in 1992 and 2.7 percent in 1999. And the stock market exploded, exceeding all but the most optimistic forecasts. The market (as measured by the Standard & Poor's index of five hundred stocks) rose 20 percent in 1996, 31 percent in 1997, 27 percent in 1998, and 20 percent in 1999. By contrast, annual gains from 1951 to 1989 averaged only 8.8 percent.

The New Economy was mainly a mood, a feeling of irrepressible optimism, that never produced a coherent theory of itself. Still, a series of loosely connected ideas seemed to justify the optimism. Dazzling new technologies (personal computers, the Internet, fiber-optic communications) would create vast efficiencies. Companies could cut costs, increase wages, and enjoy higher profits without raising prices. Even if companies wanted to increase prices, intense competition—from imports and the likes of Wal-Mart—would frustrate them. At the same time, the Federal Reserve (at least under Alan Greenspan) could steer the economy away from recession without rekindling inflation. Hence, stability seemed assured.

To complement all this, "people's capitalism" was flourishing. Ordinary Americans—through stocks, mutual funds, and stock options—had increased their stake in corporate America. In 1989, about one-third of all families in the United States (32 percent) owned stocks, according to the Federal Reserve. By 1998, almost half (49 percent) did. Americans of all walks of life were entranced and enthralled by the market. Moreover, there was the post–Cold War expansion of the global market. American companies could fatten their profits through greater exports and overseas investments, while American economic and political ideas took root around the world.

All in all, the picture was reassuring. Capitalism is about risk and reward, and the New Economy's central message was simple: rewards had risen, risks had declined. People's capitalism was erasing old conflicts between capital and labor. Inflation and recession were subdued. New technologies ensured rising living standards. "Globalization" was safeguarding the world for capitalism and democracy. It was all upbeat—and it was all misleading.

Instead of creating a New Economy, we were mainly retrieving elements of the old economy. The economic history of the last decade is best understood as the culmination of a forty-year cycle involving the rise and the fall of America's first great peacetime inflation. Over this period, Americans rode a roller coaster of first rising and then falling inflation so that, once the ride was finished, they were back where they started. In 1960, the Consumer Price Index rose 1.4 percent. By 1969, the increase was 6.2 percent; and by 1974, it was 12.3 percent. After temporarily receding, it hit a post–World War II high of 13.3 percent in 1979. From there, the ride was—with some interruptions—generally down. The crushing recession of 1981–1982 cut inflation to about 4 percent. After a decade of economic expansion, it rose to 6.1 percent in 1990. After another recession in 1990–1991, it drifted

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The Big Lie (I)

Are the "occupied territories" really occupied territories?

As Adolf Hitler discovered, the Big Lie will eventually be accepted as the truth. The Big Lie, the monster whopper of our time, is that the provinces of Judea/Samaria, often called the "West Bank" are "occupied territories."

What are the facts?

A Brief History: Most of the area now called the Middle East was part of the Ottoman (Turkish) Empire before World War I. Germany lost the war and so did its ally Turkey. The Ottoman Empire ceased to exist and the League of Nations assigned Britain and France as the mandatory powers.

France assumed mandatory control over what is now Syria and Lebanon. Britain assumed mandatory control over all the rest, including "Palestine," which comprised all that is now Jordan and Israel, including the "West Bank." The Golan Heights, which Syria now claims as its age-old patrimony, was originally part of Palestine.

> "The Big Lie of Israel's 'occupation' has been repeated so long and so often that even people of good faith have come to believe it and to accept it."

In 1917, the British issued the Balfour Declaration, under which Palestine was to be a homeland for the Jewish people. In 1921, Winston Churchill, who was then Colonial Secretary of Great Britain, separated all the land east of the Jordan River from the territory designated to be the Jewish homeland, and awarded it to the Hashemites, who established the kingdom of Transjordan.

The Arabs, whipped up by their fanatic clergy, fiercely opposed the presence of the Jews on what they considered "sacred Moslem territory." There was constant warfare between the two groups, which the British tried to arbitrate, always favoring the Arabs, whom they considered more important to their imperial interests.

In 1947, the British decided that they had enough and resigned the Mandate. They left the Arab-Jewish antagonists to their own devices and turned it over to the United Nations. Their solution was to partition Palestine into a Jewish and an Arab state. The area west of the Jordan River (the "West Bank") and the Gaza Strip were allotted to the Arabs. Jerusalem was to be an "international" zone. After much soul searching, the Jews accepted the partition and, in April 1948, declared their independence in the area allotted to them by the partition. The Arabs rejected the partition out of hand. On the very day of Israel's birth, five Arab armies invaded the nascent Jewish State. In what must be considered an almost Biblical miracle, the ragtag Jewish forces decisively defeated the combined Arab might. But Israel had suffered enormous casualties – 6,000 dead, about one per cent of its population.

Israel not an "occupier": Israel stayed in control of most of the area east of the Jordan River, except for the Gaza Strip, which stayed under Egyptian control. The "West Bank" and the eastern part of Jerusalem stayed under the control of Transjordan, which promptly renamed itself Jordan and proceeded to ruthlessly expel all Jews and to obliterate all vestiges of over 2,000 years of Jewish presence in that land.

In the 1967 Six-Day War, Israel recovered the "West Bank," the eastern part of Jerusalem, the Gaza Strip, conquered Egypt's Sinai Peninsula, and conquered and annexed the Golan Heights. During the 19 years that Jordan and Egypt were in possession of the "West Bank" and the Gaza Strip, it didn't occur to them or to anybody else that the Palestinians should have a state or even that they were a distinct nationality. The claim for that did not arise until after the Six Day War.

Jews have been living in Judea/Samaria since Biblical times. The area was made *judenrein* (free of Jews), following the Nazi model, by Jordan, when it was in possession of the territory. After 1967, Jews moved back into the territory and a great hullabaloo was raised and is still being raised about the not more than 200,000 "settlers," who do not occupy more than 2 per cent of the area. But there is no concern about the hundreds of thousands of Arabs, who, lured by the prosperity of Israel, have flooded into the area, nor of the more than one million Arabs who live in Israel proper and who enjoy full rights of citizenship.

Israel acquired the territories (the "West Bank" and Gaza) in defense of an aggressive war waged against it. No country in history has ever been asked to return such territories. Do the Poles return the huge chunk of Germany that they acquired in the wake of World War II? Do the Czechs return the Sudetenland, do the French return Alsace-Lorraine? Of course not! Only Israel is being asked to return such territories. The last sovereign of the "West Bank" and of Gaza were the Ottomans. The "West Bank" and Gaza are unallocated territories. To speak of Israel as "occupier" is preposterous; to speak of it, as Kofi Annan, the Secretary General of the UN does, as "illegal occupiers," is poisonous slander. He knows better. But unfortunately, the Big Lie of Israel's "occupation" has been repeated so long and so often that even people of good faith have come to believe it and to accept it.

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slowly down. In 2001, the Consumer Price Index increased 1.6 percent.

Many of the New Economy's supposed novelties—stronger gains in wages and incomes, a better stock market, a crude price stability—simply extended trends of the 1950s and early 1960s. Once inflation rose, those trends either stopped or lost momentum. When they re-emerged in the 1990s, people greeted them as if they were new, when in fact they were mainly restored. It is fanciful to suggest that the economy would have been problem-free if inflation had remained at the low levels of the 1950s. What is less fanciful is to note that many of the economy's biggest disappointments in the 1970s and 1980s (from severe recessions to sluggish wage growth) flowed from uncontained inflation.

But inflation's worst effects transcended the economic costs. Inflation darkened the public mood. It disturbed and frightened people. Americans couldn't know whether their incomes would keep pace with prices. They couldn't know how much it would cost to pay for their dry cleaning, their groceries, their clothes, their cars. People found it harder to plan for the future, because they did not know how much inflation might erode their savings. And rising inflation lowered Americans' trust in government, because people instinctively (and correctly) blamed it on government. High and rising inflation was a central reason for Ronald Reagan's election; and falling inflation was one reason for his enduring popularity. Ordinary Americans detested rampant inflation and rejoiced when it receded.

INFLATION'S RISE AND fall is a big part of the American story since 1960. Yet the story is not adequately appreciated. Historians and journalists have been inattentive, possibly because the story is so drawn out and lacks the personal drama of politics, scandal, or war. And economists have put their disputes over inflation aside. The economists who promoted inflationary policies (some of whom subsequently won Nobel Prizes) have been reluctant to acknowledge the full measure of their error and their responsibility. This is understandable, if not commendable. After all, their policies were a calamity: the economic equivalent of Vietnam. Why dwell on disaster? Other economists, perhaps out of professional courtesy, have muted their criticism. In general, economists prefer to suggest policy "improvements" rather than to study their own past policy blunders.

We are now compounding the error. The New Economy is a source of endless fascination. Does it exist? If so, what is it? What can we expect from it? If it never existed, why not? But thinking about these questions proceeds as if almost everything that happened in the 1990s was self-contained. What was good (or bad) was a product of the decade itself. Of course, this is not true. It is at most partially true. The booming economy and the self-confidence that the decade bred cannot be understood as isolated events. They make sense only in relation to what came before. And inflation—not the Internet—was the crux of the matter.

II.

THE PROLONGED INFLATION was unprecedented. Typically, Americans had experienced inflation in short, violent bursts as the side effect of war. The need to pay for armies and guns led to an explosion of money creation, which, once peace was restored, was reversed or neutralized. During the Civil War, retail prices rose 75 percent. In the next fifteen years, however, most gains were reversed. World War I caused runaway inflation; prices doubled from 1914 to 1920. But the deep recession of 1920–1921 stopped the rise. The great inflation of the past forty years, by contrast, originated mainly in an intellectual upheaval: the Keynesian revolution. Briefly put, Keynesian economists argued that the federal government could maintain "full employment" by manipulating its budgets—changing spending or taxes—and interest rates. A modest increase in inflation might occur, but it would be fairly harmless and well worth the benefit of lower unemployment.

In the event, the economists were wrong on all counts. Even with economists' advice, the government failed to guide the economy along a recessionless path of "full employment." One reason was that inflation did not remain low, because inflationary expectations slowly permeated popular consciousness. When companies and workers appreciated that the government was committed to pursuing, or even to guaranteeing, "full employment," self-restraint on wages and prices vanished. Companies raised prices more quickly and acceded to worker demands and expectations for higher wages. Why say no? After all, the government would fight recession. Demand would stay high. The wage-price spiral soon fed on itself. Every increase in prices led to higher wages, which led to higher prices.

Nor were the economic consequences harmless. For starters, inflation caused more instability. From 1969 to 1982, there were four recessions. This record was slightly worse than in the 1950s. Much worse was the unemployment record. From 1950 to 1962, unemployment averaged 4.8 percent. From 1970 to 1982, after the effects of the "new economics" were truly felt, the average was 6.7 percent. Every time inflation seemed to spin out of control, the Federal Reserve raised interest rates sharply in order to halt—if only temporarily—the spiral. As measured by unemployment, the 1973–1975 and 1981–1982 recessions were the worst since World War II. Unemployment averaged 8.5 percent in 1975 and 9.7 percent in 1982.

It wasn't simply a stop-go economy that fostered uncertainty. The efforts to reconcile tolerable inflation with low unemployment spawned a host of contrived, complex, and self-defeating policies. In August 1971, President Nixon imposed wage-price controls. After his re-election in 1972, the controls gradually broke down and were abandoned. A burst of inflation resulted. President Carter followed with milder but equally confusing wage-price "guidelines." Faced with worsening inflation in early 1980, he imposed partial credit controls—limits on borrowing—and suggested that people were overusing their credit cards. Unexpectedly, many Americans listened. The economy suffered a brief recession that had no lasting effect on inflation.

Similarly, inflation hurt the stock market. In theory, stocks are an inflation hedge. If prices rise, so do profits and stock prices, protecting investors. In practice, things did not work so neatly. In 1965, the average level of the Dow Jones Industrial Average was 910.88. In 1982, it was 884.36. Although some stocks did well while others did not, the overall market went nowhere, even without adjusting for inflation. Inflation made competing investments more attractive by raising interest rates. In the early 1980s, people could earn more than 13 percent on thirty-year Treasury bonds. Ideally, stocks represent investors' best guesses of future profits. Would profits match those returns? Nobody could know. Treasury bonds and money-market mutual funds seemed safer.

In other ways, inflation also made holding stocks less profitable. Suppose that a stock you owned rose 20 percent over five years. If you sold the stock, you would be taxed on the one-fifth profit, or "capital gain." But suppose that inflation was 20 percent over five years. Then the 20 percent gain would only preserve your original investment, in inflation-adjusted or "real" terms. Still, you would be taxed on the 20 percent gain anyway. In effect, your original investment was being taxed away. Higher capital-gains taxes in the late 1970s compounded the damage. People responded to the growing dangers by discounting stock prices and retreating from the market. From 1952 to 1970, the

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share of households with stocks nearly quadrupled, from 4 percent to 15 percent. By 1980, ownership had slipped slightly to 13 percent.

Finally, high inflation contributed to the much-lamented productivity slowdown—though how much is open to debate. As is well known, productivity (usually measured as output per hour worked) is the key to raising wages and profits. Higher productivity means higher incomes. From 1947 to 1965, productivity growth averaged a huge 3.6 percent per year. Then it was downhill: 2.4 percent from 1965 to 1970; 1.8 percent from 1970 to 1980 (and 1.2 percent from 1975 to 1980); 1.7 percent from 1980 to 1990. Besides inflation, there are many possible culprits: the exhaustion of pent-up technological and management gains from the Great Depression and World War II; the 1970s' oil price "shocks" (which, argue some economists, caused companies to substitute labor for energy-using machines); a complacency among corporate managers, born of America's early post–World War II economic dominance; and the costs of new environmental and safety regulations. But as inflation rose, productivity growth declined. The timing alone implicates inflation.

It hurt in many ways. It deluded executives into thinking that poor profits could be cured by increasing prices rather than by improving efficiency. It interacted with the tax code in ways that discriminated against investment. Tax write-offs (depreciation allowances) to replace aging and obsolete equipment became inadequate because inflation was raising the replacement costs of new machinery so rapidly. Similarly, low stock prices—compared with high replacement costs for machinery—encouraged mergers. It was cheaper to buy other companies than to expand by investing. But many mergers turned out to be organizationally inefficient: cumbersome collections of poorly connected businesses.

IF THE GREAT BOOM of the 1990s had godfathers, they were Paul Volcker—he was the chairman of the Fed from 1979 to 1987—and Ronald Reagan: Volcker for controlling inflation, and Reagan for supporting him. By the early 1980s, there was probably no painless way of eliminating deeply embedded inflationary practices and psychology. Volcker undertook a classic cure. The Fed raised interest rates until high unemployment and surplus production capacity depressed wage and price inflation. Companies flirting with losses or bankruptcy could not afford to give high wage increases, because they could not pass higher costs along in higher prices. By his silence, Reagan aided Volcker. On paper, the Federal Reserve does not need White House approval of its decisions. In practice, it requires political tolerance. If its policies are universally condemned, the pressures to change will become irresistible. As unemployment rose in 1982, criticism of the Fed was widespread. Reagan's refusal to join provided sufficient "cover" for Volcker to continue his distasteful but necessary project.

Their triumph was to change expectations. People started to talk about the virtues of "price stability" in the reverent tones once reserved for "full employment," a phrase that quietly vanished from public discussion. As time passed, it became clear that the Fed would no longer condone rising inflation as it once had. Volcker and Reagan inflicted levels of unemployment that, a few years earlier, had been considered unthinkable. The implicit message was that they—or their successors—would try to avoid that unpopular fate ever again. This meant pre-empting inflation with higher interest rates before it got too bad. Companies and workers were put on notice that outsized price and wage increases might make them uncompetitive. And just as important, the recession's high unemployment, bankruptcies, and losses taught new lessons. No company was guaranteed survival. No worker was guaranteed a job. Government would not prevent every recession.

All this set the stage for the boom of the 1990s. As inflation subsided, economic stability improved. Although now overshadowed, the economic expansion that began after the 1981–1982 recession was impressive. It lasted 92 months and, at the time, was second in length only to the inflationary boom of the 1960s, which was 106 months. By 1989, unemployment was down to 5.3 percent. Similarly, the subsequent recession of 1990-1991 was short and mild by historic standands, much less punishing than those of the mid-1970s or early 1980s. Unemployment peaked in 1992 at 7.5 percent. Despite the retreat from the "full employment" pledge, the wage and price self-discipline of workers and companies was a better formula for aiding economic expansion and job growth than the pious promises of politicians and economists. (Indeed, the initial sluggishness of the 1991–1992 recovery reinforced the lesson of the 1980s while also helping, incidentally, to elect Bill Clinton.)

No less impressive was the stock market's take-off. As inflation and interest rates dropped, share prices rose. Bond and money-market funds looked less attractive. By 1991, stock-market averages had roughly tripled from a decade earlier, and stock ownership had more than doubled from 1980 levels. Once again, Americans

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were falling in love with stocks. As important, the obsession with stock prices altered the behavior of corporate America. Aside from the normal competitive threats—other companies, imports, new technologies—companies faced new pressures to raise profits and boost "shareholder value" (a.k.a. stock prices). Companies focused more on cutting costs and improving efficiency. If executives failed, they could face "hostile takeovers." Syndicates of big investors might try to buy a company, believing that it could be better managed or broken up into smaller and more profitable pieces.

This amounted to a broad change in the economic climate. It seemed that corporate and individual insecurity had increased. In the early 1990s, there was much fuss over corporate "downsizing" that made unemployment a new fear for white-collar workers. Company "restructuring" was another euphemism for layoffs and corporate breakups. But the paradox was that a greater sense of individual vulnerability abetted overall economic stability. The economy was less vulnerable to inflationary bursts that induced recessions. People might feel less secure, but the system was operating in a way that made them more secure. Much of this has now been forgotten. Mesmerized by the recent boom, Americans have focused on the glories and the heroes of the moment. What reinforced the myopia was the belief that, in the mid-1990s, something revolutionary—computers and the Internet—had fundamentally changed the economy. Here was the New Economy's biggest claim to newness.

III.

THE ARGUMENT FOR the exceptional newness of the New Economy will not withstand scrutiny. Even now, the sensationalism, the exaggeration, and the loss of perspective that accompanied the new technologies seem astonishing. Personal computers (PCs) and the Internet constituted a second Industrial Revolution, or so we were told. They would accelerate economic growth and transform the way we live. Mass markets would crumble before the Internet's power to personalize information and to customize products. People would be liberated as never before. The flood tide of information would combat excessive political and economic power.

Some commentators likened the Internet to the invention of the printing press, and even lesser comparisons exuded hyperbole. "Commerce in the next decade will change more than it's changed in the last hundred years," said then-chairman of General Electric Jack Welch in late 1995. "Kiss Your Mall Goodbye: Online Shopping Is Faster, Cheaper, and Better," proclaimed a *Time* cover story in 1998. "When we try to comprehend something as vast, amorphous and downright scary as the Internet, it's no wonder we grope for familiar precedents—the railroads, the interstate highway system, the telephone network. But none of those really captures the Internet's earth-shaking impact on the business world," said *BusinessWeek* in a cover story called "The Internet Age" in October 1999.

It is true that PCs and the Internet spread quickly. From 1989 to 2000, the share of households with PCs rose from 15 percent to 51 percent, according to the Census Bureau. The share with Internet service—essentially zero in 1989—reached 42 percent by 2000. Among businesses, adoption was also widespread. But other new technologies—TVs, microwave ovens—also spread rapidly, and the grandest predictions have so far proven wildly overstated.

Though commerce has changed, it has not been transformed. Americans buy airline tickets, trade stocks, and make hotel reservations over the Internet, but these are simply new forms of old activities. Online shopping remains modest. In 2001, Internet purchases of everything from books to computers totaled about 1 percent of all retail sales, according to the Commerce Department. The Internet has also flopped as an advertising medium. Ad sales in 2001 were $4 billion, about 1.8 percent of U.S. advertising, according to Robert Coen of Universal McCann. To be sure, some things provided by the Internet are genuinely new, e-mail and eBay for instance. But so far their social effects do not compare with those of other major technologies: railroads, which resulted in the creation of a national market; automobiles, which resulted in suburbanization; or television, which resulted in the transformation of pop culture.

Still, the hype was not merely a mistake. It was a presumed fact that people acted upon, inspiring the stock-market boom of the late 1990s. As we now know, this was hugely wasteful, and not just because many stock prices rose to absurd heights. There was more basic waste: hundreds of billions of dollars (no one really knows how much) invested in companies and projects that were not productive. They were not needed. Capitalism requires failure, which helps separate good ideas, products, technologies, and companies from bad. But the scale of recent failure—first the dot-coms, then the telecommunications companies—was exceptional. It was the creature of the stock-market boom, which financed huge high-tech investments on the theory that the money could easily be recovered (with handsome or even obscene profits) from rising stock prices.

UNTIL SOMETHING BETTER comes along, John Cassidy's book deserves to be the boom's standard account. It is informative, perceptive, and gracefully written. In tone, it is critical without being mean-spirited. Perhaps the pivotal event in the unfolding boom was the Netscape IPO on August 9, 1995. An IPO is a company's "initial public offering" of stock, meaning that general investors can buy shares, which will then be traded on a public market. An IPO allows new companies to raise money, and, as important, it enables the initial investors—typically, venture capitalists (VCs), private investors, and the company's executives—to "cash out" by selling some of their shares to outside investors.

What was significant about Netscape's IPO was that the company had never made a profit. Indeed, it hardly had any sales at all. In the second quarter of 1995, its revenues totaled a meager $12 million. And yet its IPO was an astounding success. In July, Netscape had announced that it would sell 3.5 million shares at between $12 and $14 each. Enthusiasm was so great at the company's "road show"—the pre-IPO presentation to mutual funds and other large investors—that the offering was increased to five million shares and the price to $28. On the first day of trading, the stock price closed at 58¼. This tiny company's "capitalization" (the value of all its shares) was a staggering $2.2 billion. Supposing the company earned a mediocre 8 percent on its value, it would have needed profits of $176 million to justify the stock price.

Before Netscape, IPOs typically did not occur until companies had achieved profitability. Netscape helped change the rules. First, "concept" companies became the rage. A company's appeal depended not on the demonstrated ability to make money but on the shared faith that its idea was so powerful that it would sweep the world. (Netscape's idea was the Internet "browser," software that converted data on websites into text and pictures.) Second, venture capitalists and other early investors could achieve immense profits in brief periods by arranging quick IPOs. In early 1994, Kleiner Perkins—one of Silicon Valley's best-known venture capital firms—had invested $3.5 million in Netscape; after Netscape's first trading day, the stake was worth $256 million. Third, even general investors did not have to wait for the "concept" to prove itself.

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They, too, could cash out in a rising market. On that first trading day, about fourteen million Netscape shares were bought and sold—meaning, Cassidy observes, that "each one of the five million shares changed hands nearly three times, on average."

The patterns set by Netscape endured, with massive economic consequences. Venture-capital investments in start-up companies exploded. From 1996 to 2000, annual VC investments rose from $11 billion to $104 billion. Over the same period, the number of venture-capital funds nearly doubled to 1,443. A lot of silly and stupid concepts were financed because VCs thought that they could quickly cash out through IPOs. Bad ideas that were bankrolled with too much money led to extravagant and careless management. Webvan, which hoped to sell groceries over the Internet, raised $275 million from investors. Its first warehouse opened in Oakland in June 1999. Cassidy writes:

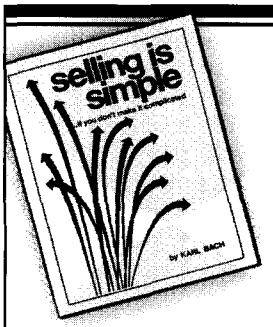
> A vast array of computerized conveyor belts delivered grocery items to specially designed "pods," or assembly areas, where an employee packed them into bags. Webvan offered more than 300 varieties of vegetables, 350 types of cheese, and 700 wine labels.... Despite its modern machinery, Webvan quickly ran into some old-fashioned logistical problems. The cold temperatures necessary to preserve fresh produce made the conveyor belts malfunction; the celery didn't fit into the produce bags; the soft cheeses got crushed; and the delivery vans got stuck in the San Francisco traffic. Webvan also [learned that most] people prefer to drive to their local grocery store and pick out their own tomatoes.

But while the stock market remained cooperative, the game could be played with impunity. Since most dot-com stocks ultimately crashed—and many companies, including Webvan, went out of business—we forget that the stock market suffered many temporary setbacks in the late 1990s but usually recovered quickly. For example: on Monday, October 24, 1997, the Dow Jones Industrial Average dropped 554 points; but the next day it rose 337 points. People believed in the market. Investment managers—of mutual funds, of pension funds—believed. Those who weren't in stocks wanted to get in; those were already in were afraid to get out. "Buying on the dip" became a cliché. Everyone wanted to ride the express to instant wealth.

Cassidy partly explains this fever. One cause was the ability of Wall Street—the brokerage houses and the investment banks—to rationalize astronomical stock prices. This took some doing. Since the late nineteenth century, stocks have had an average price/earnings (P/E) ratio of about 14. If a company had $1 of earnings (profits) per share, its stock price would—on average—be $14. Since investors would pay more today for fatter profits tomorrow, fast-growing companies had higher P/Es than slow-growing companies. And P/Es obviously varied over time. Still, the valuations of the late 1990s departed from most historic experience. The broad market, represented by, say, the Standard & Poor's 500 Index, had P/Es in the high 20s and mid-30s: levels attained only briefly before, in the late 1920s. Beginning in 1998, P/Es on the Nasdaq stock exchange, which included many tech stocks, exceeded 100, because many of its companies—like Netscape—had no earnings.

To defend these prices, Wall Street analysts developed a theory of history. We were crossing a technological Rubicon. PCs and the Internet were remaking corporate America. Old titans would fall, new titans would rise. And many new titans—such as Microsoft—would utterly dominate their markets. Some technologies created virtual monopolies, because once customers became hooked on the technology they would not easily switch to another. Costs were too high. Microsoft and Intel were good examples. Elsewhere, burgeoning computerized networks would snowball. The more people joined, the more people would want to join. Convenience and brand recognition would spawn captive markets. America Online and Amazon.com were candidates. Better yet, the costs of serving new customers were often tiny. Once companies seized control of new markets, profits would be spectacular.

As a theory, the Great Technological Divide invited investors to suspend disbelief. A company pursuing rapid growth and customers—even with huge losses—could be held responsible and well-managed. Profits temporarily didn't matter. "From Wall Street's perspective this argument had a welcome corollary," remarks Cassidy. "Since investors were being offered the chance to pick big winners of the future, they couldn't expect to get them cheap. High stock prices made sense." Consciously or not, self-interest had hijacked analysis. High stock prices meant more of almost everything that made Wall Street money. High prices inspired more trading, which meant more commissions. High prices induced more IPOs, which meant more fees. High prices also meant more mergers, financed with stock, and—because investment bankers



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advised merging companies—that, too, meant more fees.

Beyond this logic, though, the Internet seduced by its symbolism. It was more than commerce. It was a social movement. It excited the national spirit. People could start businesses fresh out of college or business school. It was pioneering, creative, future-oriented, and youthful—almost everything that Americans wanted to be. There was even an anti-Establishment aura. You could get filthy rich while rebelling. Dress codes were relaxed. Tech-company ads mocked older, more staid corporations. Personal liberation and personal wealth went hand in hand. "To a country based on the twin pillars of free enterprise and individualism," writes Cassidy, "this was an intoxicating vision, and it goes a long way toward explaining the extraordinary enthusiasm shown for the Internet."

But not all the way. The market's mania ultimately depended on those old speculative standbys: greed, crowd psychology, and the greater-fool theory. People were mesmerized—or corrupted—by potential riches. Maybe eToys was not worth $35 per share, but if it could be sold to someone for $50, then why not? (The stock's high was almost $78; the company later went bankrupt.) The theory justifying higher stock prices was mainly delusional. Since almost anyone could create a website, few natural monopolies arose; indeed, the proliferation of similar websites made it hard to charge anything. Many companies were badly mismanaged, which was why they had large losses. Finally, even the theory couldn't explain some loopy stock prices. At its peak, says Cassidy, Yahoo's P/E was 2,154.

THE FASCINATION WITH the market obscures the duller but more important question: has information technology (or "IT") raised the economy's growth potential? Even now, the answer is not clear. Productivity is poorly understood, because it reflects so much more than hours of work or new machines. It involves how people are organized and motivated, how enterprises are managed, how technologies are exploited and spread. Productivity does not mean creativity, but the two are closely related. Higher productivity is better than lower productivity, and whatever happened in the late 1990s, it did not restore the early postwar glory years. From 1995 to 2001, productivity grew at an annual average of 2.6 percent. This was much better than the previous two decades (about 1.5 percent), but it was much lower than the 3.6 percent from 1947 to 1965.

On balance, most economists attribute the latest productivity gains mainly to IT. But this view is not universally accepted. IT clearly created some improvements. Computers as "word processors" substituted for secretaries. Computerized supply systems have reduced inventories—excess stocks of goods—by better calibrating new orders to actual sales. But a detailed report from the McKinsey Global Institute, an affiliate of the consulting firm, concluded that "IT was only one of several factors at work" in raising productivity growth. One other factor was competition, particularly among retail chains. Wal-Mart's productivity was so much better than its rivals that its competitors were forced to improve. The improvements included imitating Wal-Mart's use of computerized supply management, but also adopting its "big box" format.

Another factor was the interaction of new technologies and the economic boom. Online stock trading lowered costs and induced more buying and selling, which of course was further stimulated by the market mania. Productivity for brokerage houses improved. Shoppers gravitated toward higher-priced items; this raised the productivity of retailers. If a car dealer sells a $40,000 SUV instead of a $25,000 sedan in the same ninety minutes, its productivity automatically rises. But the McKinsey study also found that many industries made massive investments in IT with little—or no—improvements in productivity growth. These included hotel chains and banks.

As for the Internet, it is so new that its big contributions lie in the future. Robert E. Litan and Alice M. Rivlin of the Brookings Institution foresee further gains in "supply management" and inventory control. They also think that the Internet will broaden markets, and that the intensification of competition will promote higher productivity. Giving customers more choices forces companies to reduce costs and to raise quality. Within five years, Litan and Rivlin estimate, the Internet might provide productivity gains of 0.25 to 0.5 percentage points annually. That is significant, but not earth-shattering. Nor do they say (probably because they don't know) whether this would simply sustain existing productivity growth or raise it.

There is a contradiction in recent experience. On the one hand, PCs and the Internet supposedly raise productivity. On the other, they clearly caused massive waste—all those failed dot-coms and telecom companies. Productivity and waste are opposites. Litan and Rivlin barely acknowledge the contradiction, let alone resolve it. Neither do most economists. But it suggests that some recent productivity gains may prove fleeting—a consequence of the boom itself. Computers and fiber-optic networks were manufactured efficiently in huge quantities, immediately boosting productivity. But some of the computers and communication systems were not needed. They will be scrapped or sold at huge discounts. The associated productivity gains were meaningless. Interestingly, the McKinsey study found high productivity gains in the manufacture of electronic chips, computers, and telecom equipment.

All that is certain is this: productivity growth rose in the late 1990s. We do not truly know why, or whether gains will persist. But we do know that the gains were not historically unprecedented and that, in their broad social effects, they do not yet rival those of many other new technologies, from airplanes to antibiotics. In this sense, the New Economy was not (and is not) especially new.

IV.

TECHNOLOGY, OF COURSE, was not (and is not) its only boast. The New Economy's other advertised distinction is that Alan Greenspan's Fed succeeded in managing the business cycle. It had redeemed the Keynesian promise of the 1960s without ever pledging to do so. Almost no one openly said that recessions had been abolished, because the claim seemed too sweeping (and after the apparently brief recession of 2001 it would be unsupportable). But people began to think and to act as if recessions, at least serious recessions, were largely a thing of the past. Trust in Greenspan became, in the late 1990s, almost a religion. The economy might have bad moments, but Alan would find a way out. He was a magician.

There is an inescapable irony in Greenspan's anointing as slayer of business cycles. For he was an early doubter of Keynesian "fine tuning," a fervent advocate of "price stability," and a strong supporter of "free markets" as opposed to government intervention. Indeed, the obvious sincerity of Greenspan's preachings on price stability enhanced the Fed's credibility. Its commitment to restraining inflation was taken seriously and not dismissed as mere rhetorical boilerplate. For this champion of stable money and free markets to become the most powerful government economic czar in fifty years—well, there was a stunning reversal.

Still, it is a huge leap from thinking that Greenspan performed well (which is true) to concluding that the business cycle has been conquered (which is doubtful). Superficially, the Fed seemed to orchestrate the economic expansion. With lower interest rates, it provided a nudge when a nudge seemed needed; through higher

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rates, it exerted restraint when restraint seemed necessary. In 1994 and 1995, it raised interest rates to blunt inflation. Then it lowered rates for a long while, even though unemployment was declining to levels that in the past had intensified inflation. Joblessness continued to drop. After Russia's debt default in 1998, the Fed lowered rates to reassure investors, and they were reassured.

The record seemed to prove—and many people believed that it did prove—that the Fed had, in the jargon of the 1960s, mastered "fine tuning." But appearances were deceiving. The actual story is more complicated, the Fed's control much looser. In *The Fabulous Decade*, Alan Blinder and Janet Yellen—in the 1990s these economists served on the Fed and on President Clinton's Council of Economic Advisers—confirm that the Fed repeatedly failed to predict the economy's behavior. Here is how they describe the Fed's decision to tolerate low interest rates and low unemployment simultaneously:

> [N]o one should think the [Fed's] "experiment" of allowing unemployment to drift down to thirty-year lows was a deliberate policy decision. It was largely inadvertent. For most of the 1996–98 period, the Fed was consistently surprised by the strength of aggregate demand [total spending] and the drop in the unemployment rate, just like most forecasters.... [T]he Fed's staff forecasts typically saw a growth slowdown just around the corner. But it never materialized.

The truth is that Greenspan's Fed did not anticipate, and did not offset, every economic lurch in the past decade. Indeed, most lurches were not widely foreseen: Asia's financial crisis, followed by Russia's default (1997–1998); the stock market boom (1992–2000); an almost unprecedented collapse of the personal savings rate (1996–2000); the productivity improvement (1995–2000). But good surprises and bad surprises complemented each other. Some suppressed inflation; other expanded production and jobs. The result, to twist a phrase, was an almost perfect economy.

Instead of Asia's financial crisis causing a recession—since Asian countries had to export more and import less—the ensuing flood of cheap imports held down prices and bolstered consumers' buying power. The stock-market boom added to the spending spree. People borrowed against stock profits or spent them. From 1996 to 2000, the personal saving rate fell from 4.8 percent of disposable income to 1 percent. Put differently: in 1996, consumers spent about 95 percent of their incomes; by 2000, they spent 99 percent. The difference amounted to $280 billion of extra spending a year, which of course was a huge boon.

UNFORTUNATELY, BLINDER AND Yellen's book seems intended for economists. It deals mainly with economic models and even throws in a few off-putting equations. But it does suggest a fair assessment of Greenspan's Fed: that it has done the right things at the right times—and the results have usually exceeded reasonable expectations.

Low inflation was the best surprise. Based on past experience, inflation should have reached about 5 percent by the end of 1998, say Blinder and Yellen. Low unemployment should have pushed wages up, as businesses competed for scarce workers. High demand should have allowed companies to raise prices. Instead, inflation was less than 2 percent. This spared the Fed the task of having to contain inflation by raising interest rates and risking a recession. Arguably, Greenspan's finest judgment was his refusal to rush to raise rates when many conventional economic indicators—notably the low unemployment rate—suggested (wrongly) that inflation lurked just around the corner.

What kept it so low, say Blinder and Yellen, was a "large dose of good luck," reflecting a variety of favorable developments. Companies shifted to managed care, and that held down their health insurance costs and total labor costs, which in turn reduced the pressure to raise prices. Oil prices fell, and this cut inflation directly. On foreign exchange markets, the dollar rose, which made imports cheaper and restrained the prices of competing U.S. products, from cars to clothes. Better-than-expected productivity made it easier for firms to pay higher wages without passing along the costs in higher prices. Finally, the Bureau of Labor Statistics revised the Consumer Price Index, and this cut the amount of reported inflation.

Actually, not all these developments were a matter of "luck." Tame oil prices, maybe; changes in the CPI, certainly. By 1998 and 1999, the revisions sliced about 0.5 percentage points from reported inflation—good public relations. (The changes were justifiable. Previous statistical methods had overstated inflation.) But other favorable developments partially reflected lowered inflationary expectations, which changed economic behavior. When businesses see that they can no longer easily raise prices, they become more cost-conscious: this pushed companies to cut health costs by shifting to managed care, and it also spurred better productivity. When foreign investors no longer fear that inflation will erode the dollar's value, they are more willing to invest in American stocks and bonds. That helped to raise the dollar's exchange rate.

To Blinder and Yellen's list we might add the stock-market boom, which also blunted wage and price inflation. The explosion of stock options in the late 1990s helped hold down wage increases, according to a study from the Federal Reserve Bank of New York. Companies did not have to raise wages so much because they could attract and hold workers by offering generous stock options. Similarly, the consumption boom—induced partially by the galloping stock market—boosted corporate profits and muffled pressure for price increases. Companies became more productive simply by virtue of the boom. Corporate overhead costs (generally fixed costs) got spread over a larger sales base. Profits on selling one more computer, car, or book were disproportionate.

THE CONFLUENCE OF SO many favorable factors exaggerated the Fed's power. Technically, the Fed influences the economy in an arcane manner—through bank reserves, which are (roughly speaking) banks' available cash and required regulatory deposits. The easier it is for banks to get reserves, the easier it is for them to lend. Interest rates tend to decline. If reserves are tighter, by contrast, it is harder to lend. Interest rates tend to rise. The Fed pumps money into the banking system when it wants to lower rates and withdraws money when it wants to raise rates. But in practice the Fed controls only one interest rate—the so-called Fed Funds rate. This is an overnight interest rate at which banks lend reserves to each other.

Ordinary Americans do not borrow at the Fed Funds rate. Neither do most businesses. And yet the Fed exerts its influence through shifts in this obscure little interest rate. Once upon a time—thirty, forty, or fifty years ago—a fairly simple story explained how the process worked. Banks accounted for most business lending (three-fifths in the 1950s, according to Martin Mayer's *The Fed*), and banks' first cousins—savings and loan associations—dominated housing lending. When banks and S&Ls had to pay higher interest rates for their money, the effects rippled quickly through the economy. Banks compensated by raising lending and deposit rates. Companies and consumers found it less appealing to borrow. Some homebuyers found mortgage rates too high. Similarly, higher interest rates on bank deposits persuaded some consumers to save and not to spend. The economy slowed. Lower interest rates triggered an opposite reaction.

The trouble is that this story no longer

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fits the facts, as Mayer notes. (His book offers a detailed look at the Fed—indeed, at times too detailed and somewhat disorganized.) Banks now account for a much smaller share of business lending, about one-fifth by Mayer's reckoning. Companies now rely increasingly on "financial markets" through the sale of bonds (which are long-term debts) or commercial paper (short-term debts) that are, in turn, bought by big institutional investors, such as pension funds, insurance companies, and endowment funds. Home mortgages have similarly been liberated from banks and S&Ls. Here, too, the ultimate investors are big institutions that buy mortgages (packaged in new ways) or lend to Fannie Mae and Freddie Mac, the new titans of housing finance, which buy the mortgages. As for start-up companies, they "don't borrow at all," writes Mayer, because they depend on venture capitalists and IPOs for funds.

What this means, as Mayer puts it, is that "nobody knows anymore *why* very small changes in short-term [interest] rates, clearly unimportant in themselves, should have such a great influence on the economy." Banks had been the main transmission mechanism for Fed policy, but their role had been reduced. In financial markets, interest rates are set by the collective and decentralized acts of countless investors, whose decisions are influenced by their outlook for inflation, their perception of risk, and their views of what other investors think and will do. The Fed Funds rate is only one influence, directly affecting bank interest rates.

Paradoxically, the Fed's power to influence the economy may have shrunk, even while its perceived power has risen. The paradox vanishes only if there is some unseen mechanism that increases the Fed's influence. Mayer doubts that such a mechanism exists. If they know what it is, Blinder and Yellen do not say; they do not raise the issue at all. If the mysterious mechanism does not exist, then the paradox must be explained. Perhaps Greenspan has compensated for the Fed's weakness by making more dramatic changes in interest rates. (To spur the economy in 2001, the Fed cut the Fed Funds rate from 6.5 percent to 1.75 percent.) Or maybe the Fed is living off Greenspan's reputation—what Mayer calls "the power of theater." Because people believe in Greenspan, they act as if the Fed can't fail. If Alan raises interest rates, inflation will stay tame, so companies don't dare raise prices. If Alan lowers rates, the economy will revive, so people become more optimistic. Who knows?

Greenspan's strength is his versatility. Like many academic economists, he knows economic theory and statistics. Like many corporate executives and bankers, he has an intuitive feel for business decisions and financial markets—a feel acquired through long years as a private business consultant. Like many good politicians, he has the ability to persuade others and to ingratiate himself with other power brokers. In Washington, many people have one of these talents. Some have two. Few have all three. Mayer's judgment seems apt. "Greenspan's long reign," he writes, "seems a tale of placid progress.... In fact a lot of decisions had to be made ... and 20/20 hindsight perceives that an astonishing percentage of the monetary policy decisions were right. Revisionist history will say Greenspan was lucky, and he would be the last to deny it. But Pasteur's comment that chance favors the prepared mind applies here as elsewhere."

Yet this perfectly reasonable verdict inspires less confidence than it appears to. It warns that Greenspan's achievements may not be repeated, and that the Fed's perceived control of the economy may be more imagined than real. Up to a point, Greenspan's reputation is surely deserved. Beyond that point, it may be myth, or wishful thinking.

V.

THE TROUBLE WITH writing about the Great Boom—better known as the New Economy—is that we do not yet know how the story ends. John Cassidy's book meanders in its final pages because the story that it tells has no natural climax. If he expected a Great Bust, it has not yet occurred. Sure, a lot of dot-com and telecom stocks have collapsed; but their crash has not led to a deep or stubborn recession. Cassidy apparently anticipated worse. Many commentators (including myself) expected a harsher aftermath to the boom. Michael Mandel forecast that Internet excesses would cause a "depression," whatever that means. The fact that a catastrophe has not occurred is good news, although it does not matter much, in at least one sense. We have already begun to revise our view of the Great Boom.

What is clear now—and should always have been clear—is that the rising stock market and its get-rich-quick mentality were morally corrupting. People did things or overlooked things that, in different circumstances, might have seemed suspect or silly. As long as the market rose, ethics took a back seat to capital gains. Corporate executives manipulated earnings reports to goose their stock prices. Stock analysts substituted cheerleading for thought. Accountants endorsed obscure rules that embellished corporate balance sheets. Ordinary people loaded up on speculative stocks, even while thinking themselves sensible investors. Most of this was legal. Some of it was not legal. A great deal of it was delusional and situational. People rationalized dubious behavior. And now the self-deceptive bloom has gone off the New Economy.

But the absence of a Great Bust does matter for a more significant question: has the economy actually become more stable? Can it achieve "full employment" most of the time without devastating recessions or destructive inflations? Given the mildness of the recent recession, some New Economy devotees believe that this ideal is at hand. Conceivably, they could be right.

After World War II, the economy became more stable and less crisis-prone. Economists have cited a variety of causes: the declining importance of agriculture and manufacturing, which are given to abrupt shifts in production; the rising importance of services (education, health care, recreation) where spending is steadier; the end of the gold standard, which triggered periodic banking panics; the creation of government deposit insurance, which reduced bank panics; the federal budget's "automatic stabilizers"—spontaneous increases in unemployment insurance and the like if the economy weakens; and conscious "countercyclical" policies (changes in interest rates, taxes, or spending) to blunt economic cycles.

Ironically, the aggressive pursuit of "full employment" in the 1960s and 1970s imposed new instabilities on an economy that, if left alone, was already fairly stable. Clearly, the experiment backfired. The lesson of the past forty years is that you ignore inflation at your peril. Its effects, once unleashed, are hugely disruptive. If its instabilities are now purged, the economy may revert to a crude stability, interrupted only by infrequent and mild recessions. That has been the record since 1982. Indeed, greater economic flexibility might shorten setbacks. Computers enable firms to detect and to correct inventory imbalances more quickly. The greater use of temporary and "contract" workers, though involving more uncertainty for individuals, means that labor can shift more rapidly from declining to expanding sectors. Perhaps we have drifted into a near-paradise.

IT IS A seductive theory, and for a while it may hold. But its long-term prospects seem shaky. Since capitalism is about risk and reward, the presumption must be that risks have virtually vanished. This seems dubious. Getting rid of inflation's dangers does not eliminate all dangers. The world has not stood still. An evolving economy creates new risks.

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For starters, it is still possible that the Great Boom could inflict a Great Bust. The economy has much inertia. People calibrate their behavior to recent experience. They reassess slowly. Since recent experience has been mostly good, people continued to spend—despite September 11—in late 2001 and early 2002. (The tax cut didn't hurt.) Similarly, they continued to invest in the market. "Long booms create a psychological momentum that is tough to break," writes Mandel. This resilience may have delayed the boom's adverse aftershocks.

As this is written, a powerful logic of retrenchment remains in place. Personal and corporate debts are high. Despite declines, many stocks still seem overvalued. Many industries, not just telecommunications, have vast surplus capacity. The Enron scandal has undermined the public's trust in corporations' reported profits. Stagnating stock prices could cause consumers to curb spending, which would lower profits and stock prices while raising unemployment and discouraging new business investment. A vicious cycle of caution and retrenchment could replace the past decade's virtuous cycle of enthusiasm and expansion.

The world economy also poses new vulnerabilities. In the 1990s, it became overly dependent on the United States, which represents about 20 percent of world GDP. By themselves, Western Europe and Japan (accounting for almost another 30 percent of the global economy) seemed incapable of growing rapidly. Europe was hobbled by high tax rates and rigid regulations. Japan suffered the ill effects of its speculative boom in the late 1980s and too many economic sectors protected for too long from competition. If the U.S. economy sputters, what happens to everyone else? Global trade and investment could also be disrupted by new acts of terrorism or an oil crisis. A stagnant world economy might risk deflation—a drop in overall prices—which can be as destructive as inflation.

And there are other dangers. Mayer fears that the helter-skelter growth of financial markets, globally as well as domestically, has spawned perils that no one truly understands. Credit underpins economic growth—lending for homes, factories, trade, cars, vacations. When the Federal Reserve was created, its main job was to protect the private banking system from panics. In a panic, sound banks could borrow from the Fed and reassure nervous depositors. Its mission was to preserve the credit essential for prosperity. The Fed's failure in the Great Depression to perform this mission showed how important it is. But now credit is provided mainly by "markets": by all those institutional investors buying bonds, mortgages, and other securities, which are ultimately money funneled to businesses and consumers.

The specter that haunts Mayer is a financial crisis that destroys these institutions, or so terrifies them that they recoil from lending. They might retreat—like Japanese banks recently—into the relative safety of government bonds. They might abdicate their function of supplying private credit. The critical difference between a bank-based credit system and a market-based system is this: the former consists of similar institutions doing similar things, while the latter consists of many different institutions doing many things, some similar and some different. A banking system is complex; a market system is almost incomprehensible.

All these financial institutions now deal with each other in increasingly exotic financial instruments. In Mayer's account, the multiplication of instruments, including "derivatives," means that no one—not private traders, not government officials—truly understands them all. Mayer believes that the same ignorance applies to the intricate interconnections among global financial institutions. The danger of a panic is that big institutions catch the same scare. If everyone sells the same credit instruments simultaneously, prices collapse and everyone loses. If traders cannot pay each other, all are at risk. "Communications are so quick, and [investment] positions so closely synchronized [among different financial institutions] ... that a cascading collapse can begin in remote corners that no one is watching," Mayer writes.

By contrast, Mandel fears a new "tech cycle." Venture capital, he argues, has permanently assumed a larger role in driving the economy. We know the upside; the downside, he thinks, could be a prolonged weak spell. A poor stock market will discourage new venture capital, because there will be "lower potential payoffs even from successful start-ups." Then, "as the wave of innovation slows, existing companies will lose their fear of being overrun by new competitors." As companies grow more lax, their productivity will suffer. They will begin to pass along higher costs in higher prices. The dreaded stagflation of the 1970s—higher inflation, lower economic growth—could return.

FEW PURSUITS ARE more futile than economic prediction. All these imagined futures are plausible. None of them is ordained. The point is not to handicap the odds. It is simply to highlight the possibilities. The great virtues of capitalism are its creativity and its flexibility. These qualities have provided the foundations for growing material wealth and personal freedom, not just in the United States but throughout much of the world. But capitalism's champions forget that its hallmark of constant change also creates new realities and new uncertainties—which by their very nature and unfamiliarity create new dangers. The sources of capitalism's productivity are also the sources of its potential instability. New technologies particularly bring new risks, because no one knows what will succeed or fail. This is why it was always so weird that the New Economy was associated with less risk.

It is fine to say that markets self-correct. Up to a point, this is true. If too many people sell, others will spot opportunities to buy. A well-functioning market economy is largely self-regulating. But not all markets quietly self-correct. Sometimes they stampede and do much harm in the process. It is also fine to say that government ought to supervise and to control new risks. The trouble is that the risks are often not obvious until they have done their damage. Not surprisingly, much government regulation is crisis-based. Sometimes governments can improvise. In the late 1990s, we had two unanticipated financial crises: the Asian one, including Russia's default; and the near-bankruptcy of Long Term Capital Management, a hedge fund that became overcommitted. The crises were managed successfully. They did not trigger panics or cripple the world economy. This may mean that Mayer's fears are overblown. Or it may not.

Even if none of the imagined fears materializes, there is buried in the very promise of a permanently placid economy a fatal contradiction. If people—as consumers, investors, and corporate managers—become convinced that economic risk has been reduced dramatically or even eliminated, they will begin acting in ways that increase risk. People without fear behave fearlessly and often foolishly. Success in taming the business cycle, because it seems to suppress risk, inspires new possibilities for business cycles and disruptions. This perverse logic was surely at work during the Great Boom, whose very magnificence inspired people to take more and more risks based on less and less logic.

In the end, it is a cautionary tale. Our understanding of how individual risks, when multiplied, turn into collective risks is much better in hindsight than in foresight. Economic theories constantly collide with new circumstances and new conditions, which sometimes treat the old theories roughly. We can be sure that the economy will always be "new." We can be less sure that it will always be better. ■

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TOKYO DIARIST

Rag Time

EVERY DAY THE PAPERS report chain stores going under, the yen getting weaker, thousands of Japanese workers losing their jobs. But my greatest sympathy goes out to the photographers assigned to document this tragedy—wandering around the city, it's almost impossible to find visible signs of Japan's epic recession. Trendy boutiques are mobbed, a new Café Paris opens every week, lines form outside pachinko parlors two hours before they open. May brings Golden Week, when everyone goes on vacation. In their human-face-of-the-recession feature, local television recently reported that fewer people are leaving the country. Unless of course you count Hawaii, which is "hotter than ever!"

IT MAY BE THAT JAPAN IS CHOOSING escapism, like Hollywood did during the Great Depression. If so they are doing it Scarlett O'Hara-style, lavishly, floridly. When Rem Koolhaas theorized that shopping is the last form of public life, he must have just returned from Tokyo. Kmart-type places and upscale department stores alike are chasing their customers out as late as 10 p.m. At the trendy Laforet department store, nothing ever goes on sale, not even the $40 ankle socks—and they sell. Last week the top floor of the even trendier 109 Building opened a new floor for tweens. All was glitter and pop, cheerleader skirts and varsity sweatshirts in bubblegum pinks and mint greens. Bins of T-shirts with depression-free Jinglish ("FOR EVERY POP AND CUTE GIRLS!!", "MOST FAVORITE OAT BISCUIT!!"), going for $60 each, sold out in two days.

INSTEAD OF WALLOWING, TOKYO seems to have made a virtue of its recession. Its ubiquitous street fashion is what leading cultural critic Donald Richie calls *nouveau pauvre* and I call "can't pay my gas bill." Imagine you went to bed in your ratty nightgown, then woke up freezing because your heat had been shut off, so you grabbed the nearest pair of jeans, then threw on a sweater and some slippers. It's a raggedy look but, if done correctly, expensive; each layer should cost about $100. The April cover spread of *Composite*, a high-end Japanese fashion magazine, is called "Recession Chic." Models putter around distressed-painted rooms in fancy rags; one slouches in an abandoned-looking kitchen, wearing cracked leather shoes and a "Mexican peasant dress" retailing at 49,000 yen—in these days of watered-down currency, about $400.

ASK JAPANESE EXPERTS ABOUT THIS paradox and they answer with a riddle: Why has the recession hardly affected daily life? Well, because daily life remains unaffected. Perhaps out of shyness, the Japanese are not prone to speculation or opinions beyond the purely factual. A Japanese friend says it's a kind of humility, an acceptance of the mystery and complexity of most things in life. Richie says it's linguistic: The Japanese don't think in terms of *why* but *how*. Whatever the cause, the result is maddening. My husband is here on a fellowship studying pachinko, Japan's ubiquitous form of gambling. He always asks his subjects: Why is pachinko popular? The most common answer: Because many people play it. After a string of whys you start to feel like a naggy four-year-old, and you finally give up and do as the locals do: look for symptoms and not root causes.

WHAT JAPANESE BOOMERS WORRY about is their children. Each month of persistent gloom brings more fretting about kids today: how the recession has sapped their pride; how they are no longer loyal, respectful of parents, hard working, or proud to be Japanese. The numbers—because there are always numbers—come in the form of juvenile-crime statistics, which one paper reports are approaching "near-American highs." Every year more teenage boys assault each other, their parents, their teachers. Even in this, experts hesitate to answer why. Instead, they say the children "suddenly sickened" or "went berserk." The latest social parasites to join the scene are called *furitas*, translated literally as freelancers but meaning something more like slackers. These are Japanese boys in their twenties and thirties who choose part-time work over job security, either because Japanese companies aren't hiring anymore or because they want to spend their free time surfing or painting. This is either a tragedy or a long overdue liberation from corporate enslavement, depending which side of the generational divide you're on.

ANOTHER PHENOMENON THAT WORRIES parents is their children trying to look white or, to their greater horror, black. For Japanese women it's practically become a statement to keep your hair its original jet black. Most women between the ages of 18 and 40 bleach their hair some version of red, from crimson to strawberry blonde. For the purists, this phenomenon has brought on the same kind of anxiety as hair straightening does in the African American community. One response is for women to go "black Japanese," as they call themselves. At Shoop, a trendy boutique dedicated to this look, the shop girls wear T-shirts that say "PROUD BLACK WOMAN" and "GHETTO CONSTITUENT." They spend hours in tanning salons to get their skin as dark as possible, get hair weaves, and dress like Lil' Kim. "Black woman good," one of the salesgirls told me. "Sexy." To perfect the "black Japanese" lifestyle, a devotee can take hip-hop dance classes ("You'll be dancing funky before you know it," reads one advertisement) or do "Rap Worksheets," on which you fill in blanks to complete your own rap, like a Mad Lib. (I peeked at one guy's worksheet on a train: "Killing in the mountains," he wrote. "No way get out.")

THE JAPANESE HAVE ALWAYS WORRIED about foreign influence—since the 1920s at least, and much earlier if you count China. But they always manage to co-opt the invasion and make it look Japanese. At a hip-hop club I watched a Japanese B-boy hold his best thug pose for almost an hour, until he dropped his can of malt liquor, rushed to pick it up, and tossed it in the recycling bin. I suspect even the T-shirt Jinglish is deliberate. After all, the Japanese study written English starting in second grade, and they are famously diligent students. Plus much of it is too clever to be just a mistake. My brother-in-law spotted the best one: "TRYATHALON. RUN. SWEEM. TRY." I can't help but think it's me being mocked.

JUDGING FROM MY BRIEF EXPERIENCE as a parent here, I can assure the locals their children will honor their heritage, or at least key elements of the national stereotype. We live in a suburban Tokyo neighborhood, across the street from a playground with a marvelous sandbox. Each afternoon I take my daughter Noa there, but she hasn't made any friends yet. As she digs into the sand and mashes it into her hair, the Japanese kids squat neatly and stare in horror. We once drew a Japanese boy into a game of "Ring Around the Rosie" but had a hell of time with the "all fall down" part. As Noa rolled in the dirt, the boy just hovered near the surface, refusing to dig in.

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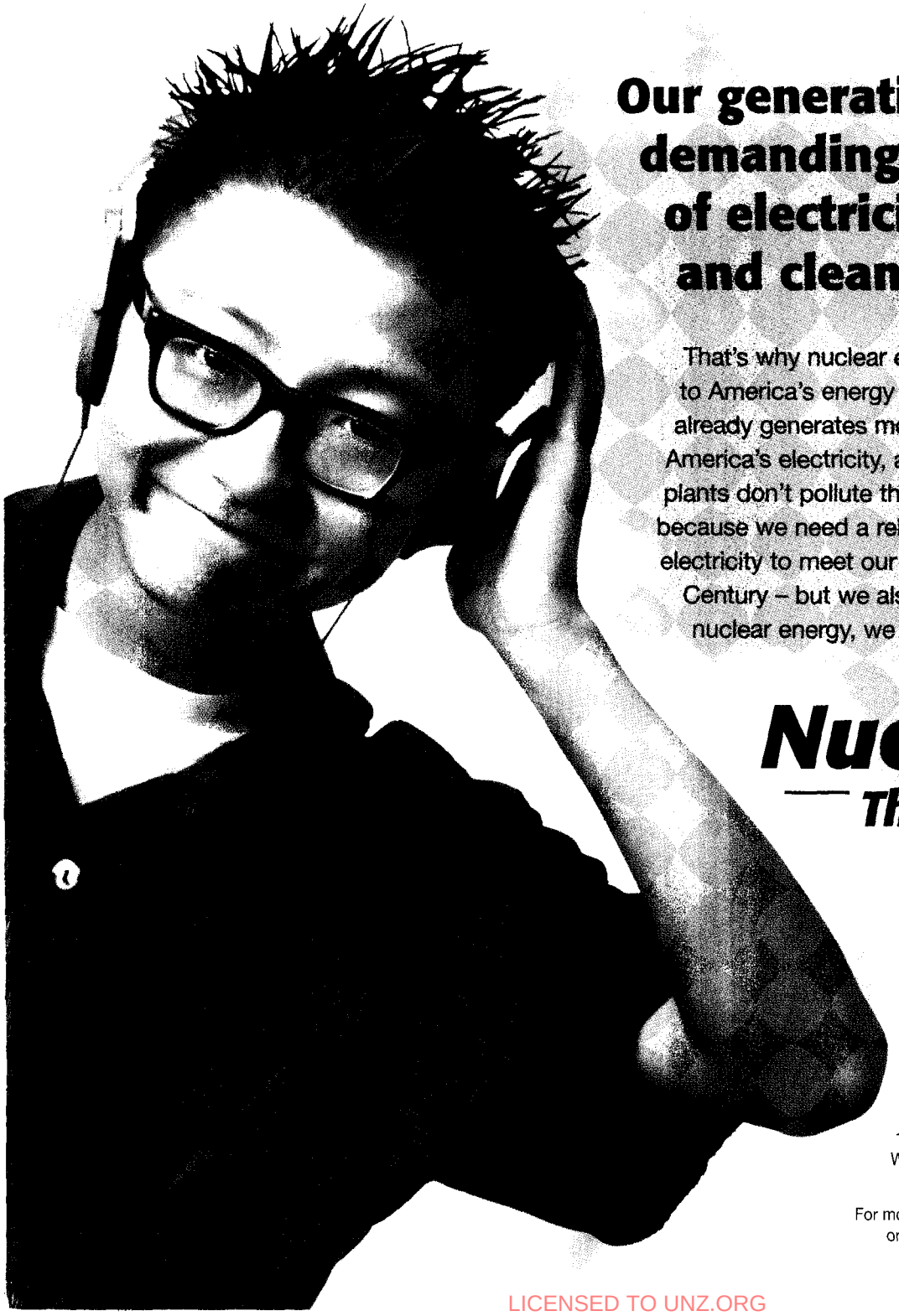

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